

Internal Audit Annual Report 2023-24

Report for: Mid Devon District Council Audit Committee

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Support, Assurance and Innovation

Introduction

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

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

The Internal Audit plan for 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, a review of work undertaken during the year and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 5) and satisfy themselves from this assurance to support signing the Annual Governance Statement.

Contents		Page
Introduction		1
Opinion Statement		2
Summary Assurance Opinions		3
Audit Coverage and Performance Against the Plan		4
Appendices		
1	Summary of Audit Reports & Findings	6
2	Assurance Map	16
3	Professional Standards and Customer Service	19
4	Audit Authority	20
5	AGS Annual Governance Assurance Framework	21
6	Customer Service Excellence	22
7	Basis for Opinion	23

Opinion Statement

This statement of opinion is underpinned by:

Internal Control Framework

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

The Council's overall internal control framework is considered to have operated effectively during the year. Where we have highlighted weaknesses in compliance to key controls, none are considered to have had a material impact on operations. That said, the number of vacancies in the Finance Team are a concern as the team underpins financial monitoring and control.

Risk Management

Risk Management processes at strategic and operational level are in place. There is good focus on risks reflected in updates to the Corporate Risk Register. Service specific risks have also been reviewed and updated to ensure greater understanding of risks against key business objectives and priorities.

Governance Arrangements

There is an appropriate Governance framework including senior management and member review and approval of budgets. It is almost a year since the elections but a new Corporate Plan and priorities should soon be agreed by members. Vacancies in key finance posts results in risk related to financial monitoring and control.

Performance Management

Performance is monitored at management and Council Committees. Performance Dashboards have been introduced for each corporate priority to support good focus on key performance. More work is needed to ensure all areas have appropriate performance measures for effective delivery and performance monitoring.

Overall, based on work performed during 2023-24 and our experience from previous years audit, the Head of Internal Audit's Opinion is "**Reasonable Assurance**" on the adequacy and effectiveness of the internal control framework.

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

The Authority's internal audit plan for the year includes specific assurance, risk, governance, and value-added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. The Head of Internal Audit's Opinion is informed by the assurance conclusions obtained in the audits undertaken in year. Significant weaknesses identified should be considered by the Authority in preparing its Annual Governance Statement for 2023-24.

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

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

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

Summary Assurance Opinion

The diagram below shows our assurance opinions broken down by service area. Ratings are relevant at the time of the audit so may have subsequently improved with implementation of agreed management actions.

Assurance Opinion	Director Areas - Audit Coverage		
	Deputy Chief Executive / 151 officer	Legal, HR & Governance	Place & Economy
Substantial Assurance	<ul style="list-style-type: none"> Housing Benefits Waste and Recycling Street Care 		
Reasonable Assurance	<ul style="list-style-type: none"> Main Accounting System Creditors Debt Recovery Contract Management Income Management Council Tax & NNDR Trade Waste Cyber Security - Follow Up 	<ul style="list-style-type: none"> Member Allowances Community Engagment and Consultation Corporate Health and Safety Performance Management Travel and Subsistence 	<ul style="list-style-type: none"> Emergency Planning Void Management (Housing) Housing Options Tiverton Pannier Market Safeguarding
Limited Assurance	<ul style="list-style-type: none"> Exe Valley Leisure Centre Information Governance - Follow Up 		<ul style="list-style-type: none"> Partnership with North Devon North & Mid Devon Building Control

Audit Coverage and performance against plan

We delivered 90% of audits in the agreed plan for 2023/24 (to draft /final report stage). The remaining audits have been either cancelled, deferred by the client, or rolled over into 2024/25.

Audit Assurances provided.

The chart opposite shows the breakdown of Substantial, Reasonable, and Limited Assurance opinions provided this year. The Summary Assurance Opinion on the proceeding page shows that we have undertaken audits across different areas of the Council to support an assurance opinion, along with all the Core audits.

The three Limited opinion audits related to:

- Exe Valley Leisure Centre. We note there has been significant management / officer changes in year which likely contributed to the weaknesses identified.
- NMD Building Control. This is a partnership shared with North Devon Council. We understand that appropriate action is now being taken to deal with the main issue related to having sufficient building control officers.
- Information Management Follow Up – See below.

Follow up audits will be undertaken in 2024-25 to confirm that management actions agreed in these audits have been addressed.

We also undertook follow up audits for two Limited Assurance areas from last year:

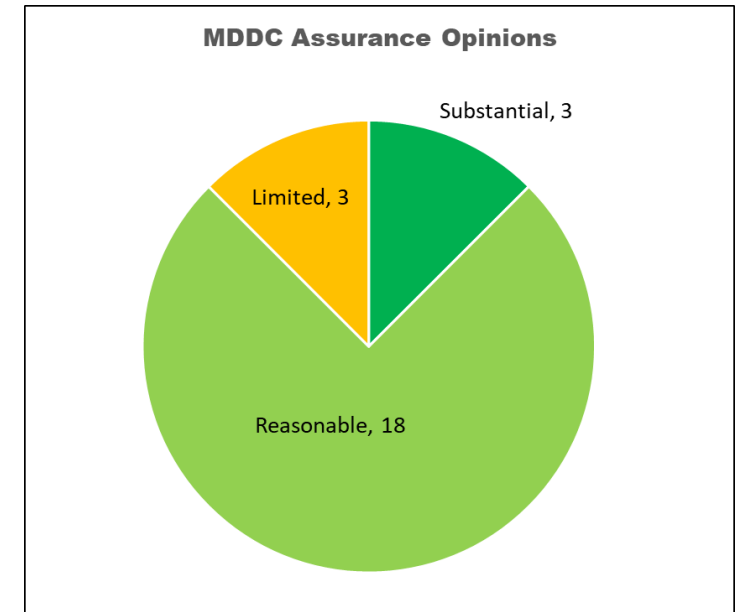
Cyber Security - Sufficient work has been undertaken to allow us to increase our opinion to Reasonable Assurance. That said, the limited capacity of the ICT team results in risk related to effective support to business areas. It also constrains their ability to support reviews such as our audits.

Information Management - While some work has been undertaken, the bulk of management actions remain to be implemented. We continue to assess this as Limited Assurance.

This year's mix of opinions compares to the 5 Substantial, 19 Reasonable and 5 Limited Assurance audit opinions provided for 2022-23.

We were not able to undertake follow up audits related to:

- Asset Management, and Repairs and Maintenance. The new asset management system that will address weaknesses we previously identified had not been introduced to make an audit beneficial.
- Planning Enforcement. Vacancies in the enforcement team meant they could not support this review; this will be done during 2024-25.



At **Appendix 1** we include a summary of the audits delivered since the Audit Committee of March 2024. Summaries of the completed audits prior to that meeting were included in previous reports to the Committee.

Value Added

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

- Providing objective and relevant assurance.
- Undertaking a greater number of audits on the same subject in different partners to allow compare and contract activity and identify and communicate best practice.
- Supported recruitment of Independent members to District Audit Committees.
- Supported an exercise by an outside contractor, paid by Devon County Council, to review Single Person Discounts resulting in additional tax revenue.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes. This includes providing advice and guidance on good practice related to Governance, Risk Management and Fraud.

We also actively worked with management to progress actions to reduce risk in areas such as on Housing Voids and Cyber Security.

Appendix 7 provides details of the specific feedback for Mid Devon and all our clients.

Fraud Prevention and Detection

Overall, the risk of fraud at the Council is considered low. Our internal audit assignments consider the potential for fraud and how the Council prevents fraud from occurring. Work on the key financial systems (payroll, creditors, debtors etc) considered the suitability and robustness of the control framework to prevent, detect and address fraud.

We note the council has also been active to prevent and detect fraud, including:

- Fully reviewing Single Person Discounts – Using external partners to data match records. This resulted in an uplift of council tax receipts of approx. £150k.
- Fully reviewing Small Business Rates Relief - Using external partners to data match records.
- Undertaking checks for NFI matches with Electoral Roll.”

Our annual Counter Fraud Resilience and Assessment report in March 2024 assessed arrangements against CIPFA / CIFAS best practice. The assessment concluded that the Council continues to improve and move towards an ever stronger assurance position. Arrangements compared to best practice was encouraging and supports the opinion that it is committed to reducing fraud losses to the minimum level possible.

We also undertook a review on Three Rivers. We reported that we did not find evidence to support allegations of criminality or fraud.

Appendix 1 – Summary of audit reports and findings since the March 2024 Audit Committee

Audit and Assurance Opinion	Summary, risk exposure and management actions
<p>Street Care</p> <p>Substantial Assurance</p>	<p>The Council operates a well organised and effective street sweeping and bin emptying service. Programme priorities are based on population density and footfall, with busier areas cleaned with greater frequency. This approach, and briefing of staff is aligned to DEFRA guidance as the governing authority for environmental cleaning.</p> <p>The district is arranged into areas, and staff are tasked to either sweep roads or empty bins with each team member being provided with a clear route and timing schedule for the working day. Every member of staff is subjected to a random quality assurance inspection by a manager at least once a week, and the three main towns in the district, Tiverton, Cridton and Cullompton are also checked by Environmental Services on a random basis. Details of staffing and equipment resources were reviewed. Staff retention is good with only two changes in recent years, and no vacant posts.</p> <p>Members of the public can complain about litter or report fly tipping via the Council’s website or by telephone. Customer Relation Management software is used to record feedback. We requested details of relevant feedback to assess public satisfaction with the service but did not receive it to inform the report.</p> <p>Fly tipping incidents are reported around 30 times each month, presenting a daily commitment for the team. The complaints are initially assessed to ensure they fall under the remit of the service, but if a potential hazard is identified it will be prioritised to safeguard public safety. When incidents of littering or fly-tipping occur on private property or areas within another authority, officers provide good support to the owner to address the problem.</p> <p>Staff are trained to remove minor asbestos incidents. Large scale asbestos removal is arranged via external contractor. This costs approximately £400 per incident and occurs about 3 to 4 times a year.</p> <p>The service conducts some revenue generating activity such as the cleaning of Market Walk and a multi-story car park, Bampton Fair which is held annually is now also a source of revenue. It receives about £20k in income each year.</p> <p>The teams’ time is running at capacity. The council has a Cleaning Barrow stored at Tiverton and transported where needed. Acquiring additional cleaning barrows for each town centre could significantly increase available time, potentially allowing pursuit of revenue-generating opportunities. Implementing a recording system would be advantageous to evaluate the benefits of initiatives compared to potential disruption of routine activities. Furthermore, using electric cleaning barrows would diminish the environmental footprint. This has been tried and tested by North Devon who report good performance and no issues with battery capacity.</p> <p>We agreed one Medium and one Low Priority Management Action.</p> <p>The Medium action related to considering the costs of asbestos removal.</p>

Contract Management

Reasonable Assurance

Based on review of some significant contracts, most were being appropriately managed. That said, there is no overall framework directing the measures managers should take to manage their contracts. The result is that managers do not have guidance on the basic contract management activities needed to ensure effective contract management. Provision of central guidance and a framework is needed to support effective contract management arrangements in the council. Other councils are adopting a Gold / Silver / Bronze approach to categorising their contracts in importance, and hence the attention required to manage them. Finally, there needs to be consideration on how to manage contract risk, at a corporate and service level.

The council has an Index of Current Contracts accessible via the council external website. It provides basic information relating to the contract place, the supplier, value, and term limits of the contract. Review of the Index of Current Contracts indicates most of the required data sets by the Local Government Transparency Regulations 2015 are provided, but there are some exceptions (for instance no detail on small or medium sized enterprises or voluntary or community sector organisations). It also does not address the "Recommended information", for instance, actual performance against contractual performance.

Review of council finance regulations shows there is appropriate direction relating to the procurement process. There is no similar direction for effective contract management. We reviewed several important contracts and note that officers appear to be undertaking essential contract management activities. These include regular meetings with the contractor, review of key performance indicators to measure performance, and access / understanding of the actual contract. On the whole managers considered the performance of the contractors to be very good or good. That said, there remains risk that some contracts may not get the attention they require with impact on the service secured from the contract.

The specific SFS Vehicle Maintenance contract for maintenance and leasing of Waste and Recycling vehicles had effective controls including regular management and senior contractor meetings with notes of meetings and action points. An Accountant was heavily involved in maintaining supplier contractor information and significant work was done to understand the financial aspects of the contract and to make good decisions, such as disposing of older vehicles in favour of leasing newer vehicles that have lower support costs.

Contract risk registers are considered an essential part of effective contract management. No risk register was held for any of the significant contracts we reviewed, although Service area risk registers also provide a mechanism where contract risks might be held and escalated. We also identified instances where risks / issues had been identified and escalated, such as for the Gym Equipment maintenance contract. That said, risk registers provide a mechanism to support identification and review of the contract risks and issues, as well as the opportunities. This includes risks related to supplier failure and subsequent impact on council services. No risk register was held for the SFS contract referred to above, despite the impact loss of service might have on council operations.

We did not undertake substantive testing of prompt payment of invoices given our previous creditor audits. Based on those audits the council has a very good record of paying within payment terms.

We agreed six Medium Priority Management Actions.

These related to:

1. Creation of Contract Management guidance.
2. Introduce a categorisation for suppliers and identify key contractors.
3. Include additional information on the website to meet the Transparency Regulations.
4. Ensure Insurance checks on contractors.
5. Consider how to manage and escalate contractor risk.
6. Ensure managers check the financial resilience of key contractors.

Housing Voids

Reasonable Assurance

We give a Reasonable assurance opinion given improvements to monitoring and visibility of key housing indicators since our review in July 2022. Most recommendations have been fully implemented. The area is now keeping extensive and detailed management information to consider improvement requirements, and reduce the amount of Void properties.

Since April 2023 statistics for voids are produced to effectively monitor activity. The statistics have been split into void categories, and between Mid Devon Homes (HRA) properties and properties being rented by Homelessness (HO). The statistic for each void category shows the split between time with repairs and time with management (where they find a new tenant). Statistics for standard and major voids (HRA) show that they are currently not being completed within agreed performance targets. However, the end-to-end time to complete voids has improved this financial year. Compared to figures in April 23 of 604 (standard void (HRA)) and 974 (major void (HRA)), they now sit at 122 (standard void) and 818 (major void) in Jan 24. The service employed a contractor to reduce the number of voids, thereby improving performance. Ongoing management attention informed by the new performance information should help drive further improvements.

The data shows that the council is above the sector average for voids performance for housing options (properties used by homelessness) but below average for general needs HRA properties. The sector average for voids is 42.6 days (there is no distinction between void types in the sector data), Housing options voids for 2023/24 is 34.4 days which puts the council at quartile 1 performance. However, HRA general voids for 2023/23 is 74.5 days which puts the council at quartile 3 performance. This is due to factors such as tenant vulnerability leading to increased property issues at the time of the void.

Priority is placed on homelessness voids (HO) to avoid additional costs in temporary accommodation. The statistics for HO voids are good. Major voids are completed on average in 39.5 days against a target of 55 days. Standard voids are taking on average, 36.05 days against a target of 35 days so marginally longer than the target.

New category targets have been introduced following a management review. There is a target of 35 (standard void) and 55 (major void) days to complete the work. This might not always be realistic. A cost benefit analysis to identify whether the cost of additional resource could be offset by an increase in rental income may be helpful in identifying whether additional resource would be advantageous. The Housing team are currently reviewing resource. The split between repairs and time with management shows both areas find it challenging to complete the void and re-let within the target.

The repair team is now at full complement and the voids repairs team is no longer used for tenant repairs. Some long-term sickness in the voids repair team resulted in reduced capacity during the year.

The split between Mid Devon Housing (HRA) properties and Housing Options (Homelessness) properties shows that HRA properties have remained over the target from the start of this financial year. The HO properties are let on a more frequent, revolving basis with each void period between new occupants requiring safety checks before re-let. There may

also be periods where the accommodation does not meet the specific needs of families in other temporary accommodation. Consequently, these will not hit the target as a small sub-group of the overall stock but are included in the overall occupancy performance. Also one of the HO properties is a designated safe space property for victims fleeing domestic abuse. This property cannot be utilised on a long-term basis as it is required for emergency accommodation on this basis with times when it is not in use. It would be helpful to report on this property separately as it could impact on the overall statistics.

We did not make any additional management actions within this audit.

Main Accounting System

Financial performance monitoring in Mid Devon is strong. Leadership team, corporate managers and the finance team are involved and engage fully regarding the financial budgets of the council and the requirements to work to budget and find ongoing savings year on year to set a balanced budget. Using the information provided from the MAS, Members are given verbal and written reports through the various PDGs and committees regarding financial performance through the year.

Different accountants are assigned to individual budget holders providing them with monthly budget reports along with meetings to discuss and review budgets line by line if required. Performance to date against approved budgets is recorded and potential future impacts to the budget discussed. As a result of having accurate up to date financial information, year to date expenditure and income is provided to budget holders and variances investigated, and corrective action taken.

Reasonable Assurance

Access to MAS was appropriately restricted with only a small number of users on the system. The issue previously reported of certain officers having system administration rights alongside of having operational access rights continues. It is acknowledged that within an extremely small team full separation of duties is difficult.

The issue previously raised regarding individual staff raising and posting journals has also not changed since our previous audit review. Grant Thornton also commented on journals in their recent report to Audit Committee (5 December 2023) to which management responded they would ensure that the control operates as designed. The control in question is a mitigating detective control whereby retrospective checking of all journals >£25k posted in a month are reviewed the following month. Unfortunately, this control had not been operating as the two principal accountants reviewing such journal reports were either on long term sick or had left the council. Furthermore, the Systems Accountant had identified an issue where the journal report picked up the wrong date leading to the possibility previous reports could have omitted some journal transactions. A new report has been developed; going forward the mitigating detective control should work as new officers have been assigned to undertake the monthly task.

The finance team is currently running significantly under resourced with capacity issues. Where three Principal Accountants were previously in post, currently there is only one; furthermore, the Systems Accountant who left last summer has been replaced in the interim by a Finance Assistant. The structure of the team is currently being reviewed in advance of recruitment action. In the meanwhile the team has to be realistic in what it can undertake. Unfortunately, the issue around raising and posting of journals has taken a back seat.

Previous internal audit reports have raised the issue of the Systems Accountant and a further member of the team having System Administration rights alongside their operational access rights due to an increased risk of fraud and error through

	<p>system manipulation existing. As in previous years, management continue to accept the level of risk to maintain a good service through this increased flexibility.</p> <p>We agreed one Medium priority management action. This was to accept the risk that officers raise and post the same journal.</p>
<p>Income Management</p> <p>Reasonable Assurance</p>	<p>The control framework to raise and manage debtor accounts continues to be effective. We continue to provide a Reasonable Assurance opinion as per our March 2023 assessment due to the same issue.</p> <p>Work has been undertaken to identify duplicate customers on the debtors Masterfile and mark them for deletion meaning they cannot be used to raise invoices. However, the issue of old, no longer used records, and therefore non-compliance with GDPR still exists. A GDPR anonymisation function exists in eFin. Whilst the function is available within the eFin menus, this has not been enabled for Mid Devon and extra costs would have to be paid to the software supplier for this to occur. As the contract for eFin has come to an end, a decision is required in the next few months on whether to remain with eFin, or to transit to another accounting system. This will then influence the approach to remove old records.</p> <p>Accountants perform the reconciliations of the Sales Ledger, and the Sales Ledger Interface, with one accountant performing the reconciliations and second signing them off. In a change to procedure from that previously in place, the Corporate Manager for Finance, Property and Climate Change, has agreed that Income Management suspense reconciliations no longer need sign off as members of the Accounts Payable & Receivable team (Creditors / Debtors) carry out daily management of the suspense account. The accountant then reconciles the account monthly to check for anomalies and ensuring where possible items are cleared in a timely manner and liaising with AP&R staff as necessary. We assess this approach as appropriate.</p> <p>We agreed one Medium priority management action. This was to resolve the issue of old debtor records being held on the finance system.</p>
<p>Safeguarding</p> <p>Reasonable Assurance</p>	<p>The Safeguarding service provided by MDDC continues to be generally effective, with some areas where improvements are necessary to continue to meet its statutory obligations. Significant activity has been undertaken in the last nine months to update and improve procedures and policies. This includes a recent update of the Corporate Safeguarding Policy which sets out the high-level responsibilities of the authority. This work has been supported by the Corporate Manager for Public Health, Regulation and Housing taking the lead for this area, and also the arrival of a new Specialist Lead for Community Safety and Safeguarding. Relevant members have been involved and support this work. More work is planned to further embed the responsibilities outlined in the policy.</p> <p>The new Safeguarding Policy was developed in consultation with the Districts' Safeguarding Leads across Devon, internal Safeguarding leads and members such as the Portfolio Holder for Community and Leisure. It details the high-level responsibilities of the authority for Safeguarding and a useful summary diagram guide of what to do if staff and members have concerns. It was also reviewed by an external consultant with national experience who was also undertaking work for Mid Devon Housing. The Policy went through the Community Policy Development Group with minor amendments. It has been shared by Devon Leads in Devon councils as good practice.</p>

Further work is needed to ensure all members and officers have attended basic Safeguarding training. For instance, introductory training on Safeguarding was delivered to Members in December 2023, and a follow-up session in March had a lower than hoped for attendance (25 out of 41 Members including online). 24% (144 out of 595) of total users were not marked as 'certified' on the Learning Management System (LMS).

All officers are subject to a Disclosure and Barring Services (DBS) check when commencing employment, with no periodic refresh of their check thereafter. Specific officers receive enhanced checks appropriate for their roles. This is not the case for members. Work is being undertaken to create a DBS Policy to define the approach for members and officers, including that related to follow on checks. In our last report we highlighted an issue on Member safeguarding checks, as there is no legal or council requirement for them to have a DBS check to fulfil their role.

In March 2024, the Community PDG recommended to the Standards Committee the establishment of a Member working group to review the future inclusion of DBS checks for Members within the Corporate Safeguarding Policy and related DBS Policy. Encouraging members to take this forward is a good approach; other councils are grappling with this issue given there is no legal requirement in this area.

Reporting of safeguarding incidents continues to go via a Service Designated Officer, copying in the Community Safety Officer (CSO). However, there is no collation of this data being reported to Members and Senior Management. Member oversight of referral numbers is important and beneficial to the service and broader authority.

The CSO has relaunched 'Safeguarding Champions' across different service areas, meeting regularly to discuss and address safeguarding related matters. This is an excellent way to promote awareness and cascade knowledge across different service areas.

The statutory requirement of the Children Act 2004 Section 11 annual Assurance statement was produced in 2023, this is an improvement since the last audit and representative of a more functional Devon Safeguarding Adults Partnership now.

We agreed four Medium and one Low management action.

The four Medium management actions related to:

1. Central collation of Safeguarding data.
2. Visibility of Safeguarding referrals.
3. Encouraging members to undertake Safeguarding training.
4. Monitoring officer attendance on Safeguarding training.

Tiverton Pannier Market

Based on our review of the operational management for Tiverton Pannier Market we provide an overall Reasonable Assurance. Occupancy rates of the market are high at about 80-90%. Appropriate market regulations are in place and trader rent records are accurate. Rent arrears are low (currently £3k), and budget / actual figures are regularly monitored. The two Market Managers responsible for operational management are experienced, knowledgeable, competent and have built a good rapport with traders.

In 2023-24 the Council incurred costs of £235k and income of £93k leading to a net cost of £142k, against a forecast budget of £134.5k, an overspend of £8k with rounding's. Of these costs, £60k are property service costs for Maintenance,

<p>Reasonable Assurance</p>	<p>including £51k service charges (e.g. Electricity, water, etc). Some of these costs also include two other District Council assets within the vicinity not related to the operation of the market.</p> <p>Traders are encouraged to set up Direct Debits; these are approximately 60% of the total payments. Traders can also pay cash on the market day for a pitch (but not by card payment). While providing flexibility for market traders it can lead to lost income if they don't turn up, and additional risk and effort related to cash management. For instance, the adopted cash collection process is missing a step. Each market day (Tuesday, Friday or Saturday) a toll sheet is completed which records the traders that are paying for their pitch by cash. Currently one of the Market team collects, records and transfers cash and there are no secondary checks of that process. Checks are needed to protect officers from any claim of misappropriation of funds. We note that some markets provided by other councils (i.e. Totnes Pannier Market in South Hams have gone cashless, eliminating this risk.</p> <p>A manual process is undertaken to confirm traders have up to date insurance and have completed their statutory H&S checks. Our tests indicate that some traders may not be meeting these requirements. As of March 2024 there are 23 traders who need to provide evidence that they hold public liability insurance. After discussing these findings with Management we have been informed that the 23 traders have booked a pitch in advance and will be un-able to trade until they have provided their insurance details.</p> <p>We agreed one Medium and four Low Priority Management Action.</p> <p>The Medium action related to Segregation of duties when collecting / recording cash.</p>
<p>Cyber Security Follow Up</p> <p>Reasonable Assurance</p>	<p>Since our original audit in February 2023, progress has been made to complete the agreed management actions to improve the key mitigating controls. The overall assurance opinion has been increased to Reasonable Assurance given the progress against the high and medium observations originally made. Out of the original 35 management actions, 19 have been completed, 13 being in progress and 3 not yet started. That said, further work is needed to address weaknesses and reduce risk in some areas. Our Cyber audit work planned for 2024-25 will continue to focus on helping the council manage the Cyber risk.</p> <p>We have placed some reliance on the management update provided by the Corporate Manager for Digital Transformation and Customer Engagement for this assessment. This was agreed given current capacity issues in the IT department (advised they are currently 1.5 FTE down). We also subsequently focused on obtaining evidence for risk areas Six to Ten which previously received Limited Assurance. We sought evidence for the highest impact observations (e.g., High and Medium impact) and those covering multiple observations to reduce the impact of our follow-up work on the IT department.</p> <p>Positive actions include:</p> <ul style="list-style-type: none"> • A IT and Information Governance Board has been established (alongside appropriate supporting documentation). • A high level change process document has been created. • An Information Security (cyber / Data Protection) questionnaire is completed as part of the procurement process to gain assurance that a supplier meets the required minimum standards of the Council. • The completion of the cyber training is now at 91% for the organisation.

	<p>We identified some actions that are in progress or have not been progressed.</p> <p>We did not agree any additional Management Actions.</p>
<p>Information Governance Follow Up</p> <p>Limited Assurance</p>	<p>Some progress has been made to complete the agreed management actions to improve the key mitigating controls since our April 2023 audit. However, the overall assurance opinion remains at Limited Assurance as completion of many of the agreed actions are to be re-assessed by management due to the recent departure of the Data Protection Officer and team capacity issues. Out of the 15 outstanding original observations, we consider four to be complete; eleven remain in progress.</p> <p>The Corporate Manager for Digital Transformation and Customer Engagement provided the management updates and told us that work to fully implement the management actions needs review with the departure of the DPO. The management actions have been given a revised target date of December 2024.</p> <p>We highlight the following from our assessment:</p> <ul style="list-style-type: none"> • We reviewed a working copy of the Records of Processing Activity (RoPA) and internal RACI (Responsible, Accountable, Consult, Inform) matrix. We consider they are good practice, and show good progress in establishing robust versions of these documents. • An IT and Information Governance Board has been formed and meets quarterly to discuss IM and Cyber Security. Their remit includes review of the IM Policy Framework. • An Information Asset Register (IAR) has been started, but is still to be completed with the risk that the organisation does not understand how their systems meet the information demands of the organisation. Work is planned around business as usual tasks to further develop it. • Policy relating to managing information risk is still to be finalised. We noted in our recent Follow Up report on Cyber Security that there was no specific risk register relating to Cyber Security which has specific linkages to this area. • The Information Management pages on the Intranet includes a link to the RoPA thereby meeting that legal requirement. Our review on contract management noted that further information is required for the council to fully meet the Local Government Transparency Code. <p>We did not agree any additional Management Actions.</p>
<p>Leisure Centre – Exe Valley</p> <p>Limited Assurance</p>	<p>We consider the Leisure Centre provides good facilities and a wide programme of activities which is evidenced by the good level of income achieved in for 2023/24. That said, recent departures of key personnel have impacted on key legal requirements such as annual testing of fire evacuation procedures, review of risk assessments and maintenance of accident logs. Condition surveys are also not being undertaken which will likely result in higher maintenance costs and impact on asset availability. Many of the weaknesses identified can be resolved quickly and improve our overall assurance rating.</p> <p>Performance Management - Leisure management have a good oversight of class/member numbers through dashboard reporting. Class/member number targets are set internally and are monitored through the fitness/swimming dashboards</p>

that are in place. From a business perspective, targets set are maintained well. However, Corporate Key Performance Indicators have not been identified to monitor and drive performance.

Our previous reviews have identified the absence of a Leisure Service business plan or strategy to provide focus on performance and delivery. A Leisure Business Plan was subsequently developed for 2023-24. Since it was agreed the document has not been updated in year for instance on progress to implement actions.

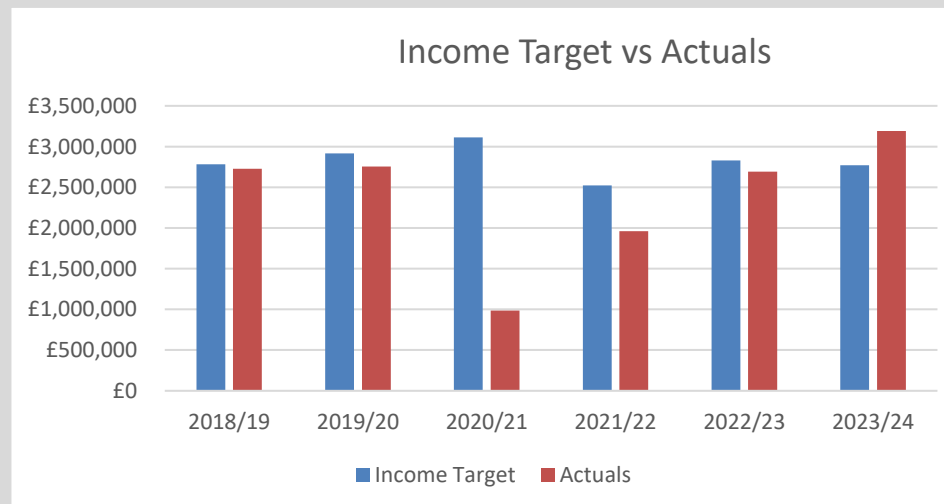
Health and Safety - Emergency Action Procedures state that fire evacuation procedures are to be tested every year, and for regular tests of fire alarms. Records show that the last recorded drill was in May 2022 and fire alarms are only tested monthly.

Risk assessments across the whole of Leisure require review. Leisure have unfortunately lost experienced staff over recent years which include qualified H&S officers. It was the previous H&S Officer's duty to review risk assessments which is why they are now out of date.

There is no control over who can use the facilities. Without the use of swipe cards or access gates non-members can access the building unless they are challenged by Centre staff.

Accurate maintenance of Accident Books is an important tool in ensuring the council is discharging its legal responsibility to record accidents and injuries. Improvements to record accidents can be made for Exe Valley for instance in ensuring an incident form is attached to each record to maintain the complete audit trail of events. We also note that accidents at the other two sites (CVLC and LMLC) are not likely being recorded appropriately in their Accident Books.

Financial Management - Income is suitably controlled with support from an experienced Leisure Accountant. The graph below shows income targets vs actuals from 2018/19 – 2023/24. Each of the three sites have overachieved their targets with an additional £419k over budget.



Income is mainly driven by memberships. Adult Membership levels are increasing towards pre-covid levels (and junior memberships exceeding them). However, the level of expenditure is still a challenge with increases in costs including for pay and utility bills

Asset Management - Whilst statutory inspections are up to date, a condition survey has not been undertaken at EVLC. Failure to undertake these surveys reduce their ability to undertake proactive maintenance to fix asset problems before they escalate in cost and impact. Funding may need to be made available to carry out surveys through a third-party.

28 building faults assigned to Property Services had not been actioned by their deadline date.

EVLC and Tiverton High School have an agreement to share the use of the artificial turf pitch (ATP). This has not been reviewed since 1995.

HR Management - The mandatory e-learning report shows that 26.3% of training across EVLC is either in progress, not certified or expired. 304 due dates for when training is to be refreshed is also inaccurate.

Timesheets are completed manually before being sent to Payroll for processing. Manual processing of timesheets opens a risk of human error. 98.3% of timesheets completed in January do not contain management authorisation. 21.6% of overtime payments made in January 2024 have been inaccurate resulting in over/under payments to staff.

We agreed four High, eight Medium and eleven Low Priority Management Actions.

The High management actions related to:

1. Schedule and undertake fire drills;
2. Control access to the Leisure Centre;
3. Undertake the required risk assessments;
4. Manager authorisation of timesheets, and review of over / under payments.

Appendix 2 – Assurance Map

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

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

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

The assurance map was used to support creation of the audit plan for 2024-25.

We highlight the following based on the assessment:

- **Performance and Financial Management reports.** We continue to note in some of our audits that performance measures including Key Performance Indicators need improvement to support effective management and monitoring of delivery.
- **Authorisations, supervision and segregation.** We noted in some audits that the audit trail needed improvement to support key decisions.
- **Governance Structures and Processes.** In some audits we noted that central strategies, policies and procedures needed review or issue to ensure clear direction.
- **Exe Valley Leisure Centre.** We provide a second consecutive Limited Assurance report for a Leisure Centre (we gave a Limited Assurance for Culm Valley Centre in Jan 23). Weaknesses related to Health and Safety are of enhanced concern given these are public facilities.
- **Finance - segregation of duties, journals, reconciliations.** Some of our finance audits note that the council accepts risk in areas such as allowing officers to raise and post journals. Compensating controls are put forward to reduce risk in these areas, such as checks of significant journals after they have been posted. We are aware the finance team has lost accountants over the year. This means the ability of remaining finance officers to undertake these compensating controls will be reduced. It also impacts on the financial management support they provide.
- **Health and Safety.** Our overall health and safety audit provided a Reasonable Assurance. That said, audits in some areas (Leisure Centre, Pannier Market, Contract Management) indicate that more attention is needed to ensure controls are operating effectively).

Assurance Map assessments from our reviews dating from February 2023 are detailed below.

Risk / Key Objective / Key Service	Business Operation - 1st line defence							Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence						
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance							Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.							Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.						
	Internal Control Measures				Management controls																
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and Error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Financial / Monitoring, reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & other policy)	Corporate risk management/assurance	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners assurance reports inc. Peer review	Internal Audit Assignments	Report date	Weaknesses related to Red / Amber assessments
Cyber Security Follow Up	A	G	G	G	G	A	G	G	G	G	G	A						Reasonable	May-24	Completion of Information Asset Register, Critical systems / Priority list, specific risk register.	
Information Governance Follow Up	G	G	G	G	G	A	G	G	A	G	G	A						Limited	May-24	Completion of Information Asset Register, Policy on Information Risk, adherence of Transparency Code.	
Safeguarding	G	G	G	G	G	G	G	A	G	G	A	G						Reasonable	Apr-24	DBS Policy, training, high level visibility of cases.	
Tiverton Pannier Market	G	G	G	G	A	G	G	G	A	G	G	G						Reasonable	May-24	Cash collection; proof of trader public liability insurance and electrical testing.	
Income Management	G	G	G	G	G	G	G	G	A	G	G	G						Reasonable	Apr-24	Retention of old Debtor information.	
Leisure Centre - Exe Valley	G	G	A	A	G	G	A	G	A	G	G	G						Limited	May-24	Business Plan and KPIs; Fire drills and risk assessments; Asset Condition surveys; Pay.	
Main Accounting	G	A	G	G	G	G	G	G	G	G	G	G						Reasonable	Apr-24	Raising and posting of journals.	
Void Management - Housing	G	G	G	G	A	G	G	G	G	G	G	G						Reasonable	Apr-24	Management Information improved, but corporate targets not yet met.	
Contract Management	G	G	G	G	A	G	G	G	A	G	A	A						Reasonable	Mar-24	Corporate direction & guidance, reporting on key contractor performance and key contract risks, Contractor insurance	
Street Care	G	G	G	G	G	G	G	G	G	G	G	G						Substantial	Mar-24		

Emergency Planning	G	G	G	G	G	A	G	G	G	G	G	G	G						Reasonable	Mar-24	Update and testing of EP and BC plans at Corporate and Service level
Housing Benefits	G	G	G	A	G	G	G	G	G	G	G	G	G						Substantial	Feb-24	Audit trail on write off forms
NMD Building Control	G	G	G	G	A	G	A	G	G	G	G	A	G						Limited	Feb-24	Corporate oversight, manpower issues, financial loss, business planning.
Member Allowances	G	G	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Oct-23	Part Payment Responsibility Allowances
Debt Recovery	G	G	G	G	G	G	G	A	G	G	G	G	G						Reasonable	Oct-23	Monitoring of cases with legal and other services.
Community Engagement and Consultation	G	G	G	G	A	G	G	G	G	G	G	G	G						Reasonable	Oct-23	Feedback on council survey and engagement exercises
Trade Waste	G	G	G	G	A	G	G	G	G	G	G	G	G						Reasonable	Oct-23	Customer feedback, Budget management
Housing Options	G	G	G	G	A	G	G	G	G	G	G	G	G						Reasonable	Sep-23	Monitoring and reporting of Housing Option costs, interfact with Mid Devon Homes
Performance Management	G	G	G	G	A	G	G	G	G	G	G	G	G						Reasonable	Sep-23	Service plans, staff objectives, financial objectives
Waste and Recycling	G	G	G	G	G	G	G	G	G	G	G	G	G						Substantial	Aug-23	
Travel and Subsistence	G	G	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Aug-23	Review of T&S Policy, claimant declaration
Council Tax and NNDR	G	A	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Aug-23	Quality checks, Monitoring of arrears.
Corporate Health & Safety	G	G	G	A	G	G	G	G	G	G	G	A	G						Reasonable	Jul-23	Mandatory H&S training, Evacuation of mobility impaired individuals, H&S delegations
3 Rivers Housing Company			G	A															Reasonable	Jun-23	Audit trail related to significant decisions
Culm Garden Village Project	G	G	G	G	G	G	G	G	G	G	A	A	G						Reasonable	Apr-23	Project risk register, council member governance.
Corporate Management Information	G	A	G	G	G	G	G	G	G	A	G	A	G						Limited	Apr-23	Information Asset Register, Information Management Strategy, consideration of IM in new systems.
KFS Creditors	G	G	G	A	G	G	G	G	G	A	G	G	G						Reasonable	Apr-23	Raising of GRNs after invoice, Purchase Order detail, supplier deletion from Masterfile
Procurement and Contract Management	G	G	G	G	G	G	A	G	G	G	G	G	G						Reasonable	Mar-23	Action plan to accompany Strategy, VFM from arrangement with DCC.
Payroll	G	A	G	G	G	G	G	G	G	G	G	G	G						Reasonable	Apr-23	Payroll system processing of leavers / joiners.
IR35 Off Payroll Working	G	G	G	G	G	G	G	G	G	G	G	G	G				PS Tax		Reasonable	Mar-23	
Housing Rents	G	G	G	G	G	G	G	A	G	G	G	G	G						Substantial	Mar-23	Reconciliations, management of debt.
Environmental Health - Water Supplies	G	A	G	G	A	G	G	G	G	G	G	G	G						Limited	Feb-23	Effective use of Uniform system, procedures need formalising, lost revenue
Equality and Diversity	G	G	G	G	G	G	A	G	G	A	G	A	G						Reasonable	Feb-23	Equality Impact Assessments, content on website, ED&I Strategy, Working Group
Local Land Charges	G	G	G	G	G	G	G	G	G	G	G	G	G						Substantial	Feb-23	
Electoral Registration and Elections	G	G	A	G	G	G	G	G	G	G	G	G	G						Reasonable	Feb-23	Training of Presiding officers and Poll Clerks, Photo IDs

Appendix 3 - Professional Standards and Customer Service

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

The Institute of Internal Audit (IIA) is the key body involved in setting out the global standards for the profession which form the basis for the Public Sector Internal Audit Standards and are undergoing review and revision. The Standards have recently been revised and take effect in 2024. The document via the link helps clarify and raise awareness of the audit committee's governance roles and responsibilities in respect of this. [IIA Document – Updating the Standards](#).

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

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

An external assessment must be conducted at least once every 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.

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

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

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

During the year we have issued client survey forms for some of our reports, and the results of the surveys returned were very good / positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services (see Appendix 6). It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.

Appendix 4 - Audit Authority



Appendix 5 - Annual Governance Framework Assurance

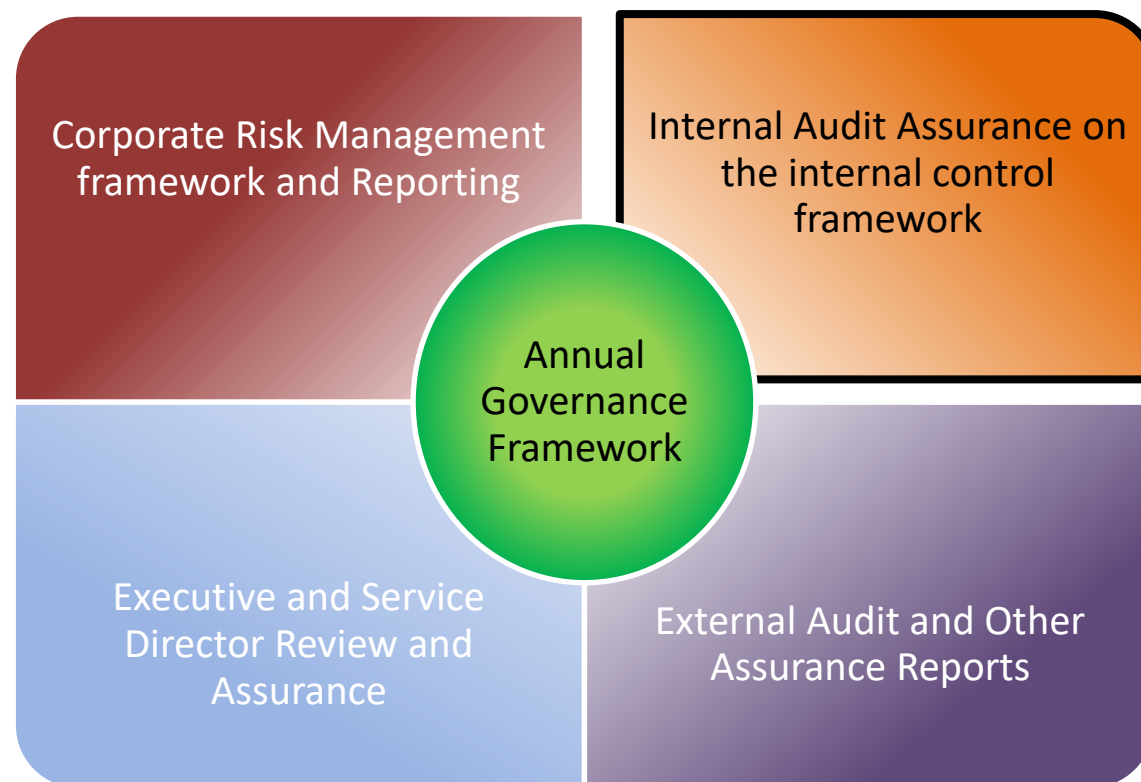
The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.

The Annual Governance Statement provides assurance that

- 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 and Chair of the Audit Committee.
- Highlight significant events or developments in the year.
- Acknowledge the responsibility on management to ensure good governance.
- Indicate the level of assurance that systems and processes can provide.
- Provide confirmation the Authority complies with CIPFA / SOLACE Framework Delivering Good Governance in Local Government. If not, a statement is required stating how other arrangements provide the same level of assurance.
- Provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This includes comment on:
 - The Authority.
 - Audit Committee.
 - Risk Management.
 - Internal Audit.
 - Other reviews / assurance.



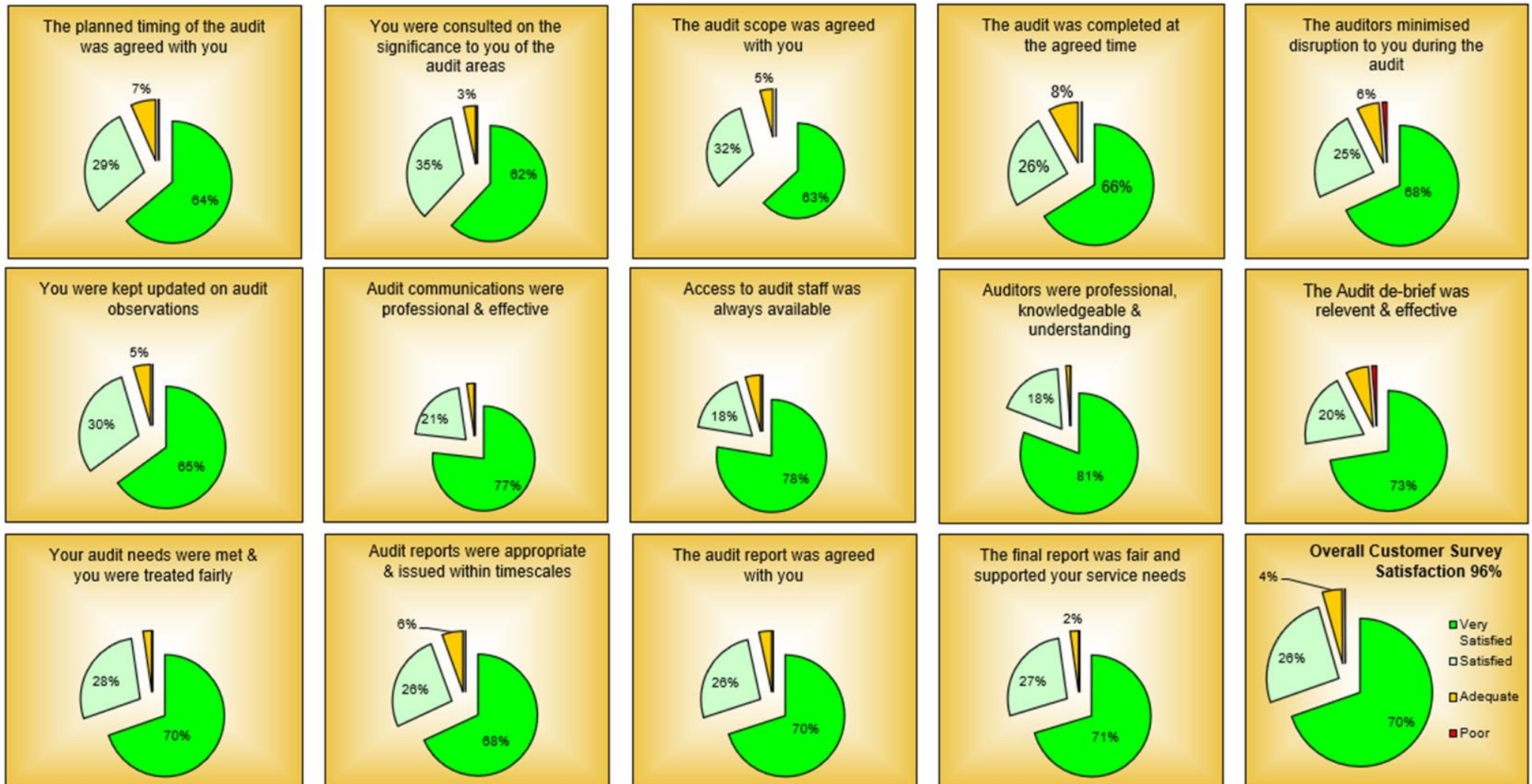
The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chief Executive and Leader of the Council.

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

Appendix 6 - Customer Service Excellence

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

Customer Survey Results April 2023 - March 2024



Appendix 7 - Basis for Opinion

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

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

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

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

In assessing the level of assurance, the following have been taken into account:

All audits completed during 2023/24, including those audits carried forward from 2022/23;

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

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

The quality of internal audit's performance;

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

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

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