

Report to: **South Hams Audit and Governance Committee**

Date: **28 March 2024**

Title: **Update on the 2023-24 Internal Audit Plan**

Portfolio Area: **Cllr Julian Brazil – Leader of the Council**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

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**Recommendations:**

Progress made against the 2023/24 internal audit plan, and key issues arising are noted and approved.

### **1. Executive summary**

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team.

### **2. Background**

The Audit and Governance Committee, under its Terms of Reference contained in South Hams District Council's Constitution, is required to monitor, and review the internal audit programme and findings, and the associated progress and performance of Internal Audit.

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

The purpose and role of Internal Audit, and of the related Council responsibilities is also contained in the Internal Audit Charter and Strategy.

### **3. Outcomes/outputs**

Members will note the assurances provided on the audited areas and seek management assurance that identified weaknesses are being addressed.

The table below details the assurances we have provided for 2023/24:

<b>Audit</b>	<b>Business Area</b>	<b>Assurance Opinion</b>	<b>Comments</b>
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for South Hams, West Devon, and Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	
Housing	Place and Enterprise	Reasonable	
Homelessness	Place and Enterprise	Reasonable	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Reasonable	
Markets	Customer Services and Delivery	Limited	
Debtors	Strategic Finance	Reasonable	
Procurement	Strategy and Governance	Reasonable	

Commercial Properties and Rents – Follow Up	Place and Enterprise	Reasonable	
Cyber Security	Customer Services and Delivery	Reasonable	
Recruitment	Strategy and Governance	Reasonable	
Homes England Grant Compliance	Strategic Finance	Reasonable	

#### 4. Options available and consideration of risk

No alternative operation has been considered as the function of internal audit is a requirement of Corporate Governance.

#### 5. Proposed Way Forward

That Audit and Governance Committee notes the results of Internal Audit work undertaken since the last meeting.

#### 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to 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.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal Audit supports all the Council's corporate strategy themes.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process, although it is inevitable that on-site verification may be required at times.

		The team use an audit management system (Ideagen) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Attachments:**

A – Internal Audit Progress Report

#### **Background Papers:**

Internal Audit Plan 2023/24 as approved by Audit and Governance Committee.

### **Approval and clearance of report**

<b>Process checklist</b>	<b>Completed</b>
Portfolio Holder briefed	<b>Yes</b>
SLT Rep briefed	<b>Yes</b>
Relevant Exec Director sign off (draft)	<b>Yes</b>
Data protection issues considered	<b>Yes</b>
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	<b>N/A</b>

# Internal Audit Progress Report 2023-24

## South Hams Audit & Governance Committee

28 March 2024

Tony Rose  
Head of Audit Partnership

Paul Middlemass  
Audit Manager



Auditing for achievement

## Introduction

The Audit and Governance Committee, under its Terms of Reference contained in South Hams 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 Internal Audit plan for 2023-24 was presented and approved by the Audit and Governance Committee in March and July 2023. The following report and appendices set out the background to audit service provision and provides a position statement 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 contributes to that annual opinion.

### **Expectations of the Audit and Governance 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 revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

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

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## Opinion Statement

**Overall, based on work performed during 2022/23 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**

*This opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

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

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

Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

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

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

## Executive Summary of Audit Results

### Key Financial Systems

Our audit of Debt Management (Reasonable Assurance) reported good controls over debt management. We noted a figure of £9.7m for all debt on 30 Nov 23. 75% of the debt was less than a year old, increasing likelihood it would be recovered. The Head of Revenues and Benefits is presenting a report to the Executive Committee in the next few months on the Revenues and Benefits Service (12 Month Review).

We also signed off the Homes England Grant received by the council to fund affordable housing. The subsequent Homes England compliance assessment provided a Green Satisfactory rating and assessed a low risk of misapplication of public funds.

### Risk Based Audits

We provided Reasonable Assurance opinions for the following:

For Cyber Security Governance, we report progress to develop an appropriate governance structure to monitor and manage this high-risk area.

We undertook audits on Housing and Homelessness and noted the initiatives underway to address homelessness and reduce the burden on council budgets.

In the Recruitment audit we noted procedures were effective but identified opportunities such as creation of a Recruitment Policy to provide clarity to all involved, including recruiting managers.

We undertook follow up work on the following Limited Assurance audits and assessed that work to implement management actions meant that they could now be assessed as Reasonable.

For the Performance Management KPIs (Follow Up), we identified the significant improvements to procedures for gathering and reporting data.

For the Procurement (Follow Up) we noted good work to address weaknesses. However, we note significant work is required to ensure the council is ready for the new Procurement Act which comes into force in October 2024.

For the Commercial Properties and Rent (Follow Up) we noted the good control framework to manage and monitor commercial properties and ensure rents are set appropriately and collected

Finally, we provided a Limited assurance for Totnes Market. Controls. Improvements are needed over the controls to operate and manage the market to ensure good financial control and protect council traders and the involved officers.

Appendix 1 of this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations.

Where a “substantial assurance” or “reasonable assurance” of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “limited assurance” has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported that are being addressed by management. We are content that management are appropriately addressing these issues.

## Counter Fraud Work

Recent assessments state that there is an epidemic of fraud cases. Fraud now account for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. Given this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud.

We have provided a Counter Fraud Resilience and Assessment report and helped update the Anti-Fraud, Bribery and Corruption Policy, Response Plans, and Whistleblowing Policy. These were discussed at the December 2023 Audit and Governance Committee.

Management is aware that suspected fraud issues can be referred to our specialist counter fraud team.

The data analysis exercise of those receiving Single Person Discounts on Council Tax has started. This is being undertaken by Liberata and paid for by Devon County Council. Initial figures indicate an uplift of £244,786 from the removal of 332 persons, of which the council gets 8%.

## Internal Audit Recommendation Tracking

We have recently provided details of all recommendations from Aug 23 to Feb 24 for officers to track.

In addition to monitoring by the council’s Performance Board, we review closure of High priority recommendations. We also review implementation of all recommendations while undertaking future audits in the area concerned.

## Value Added

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

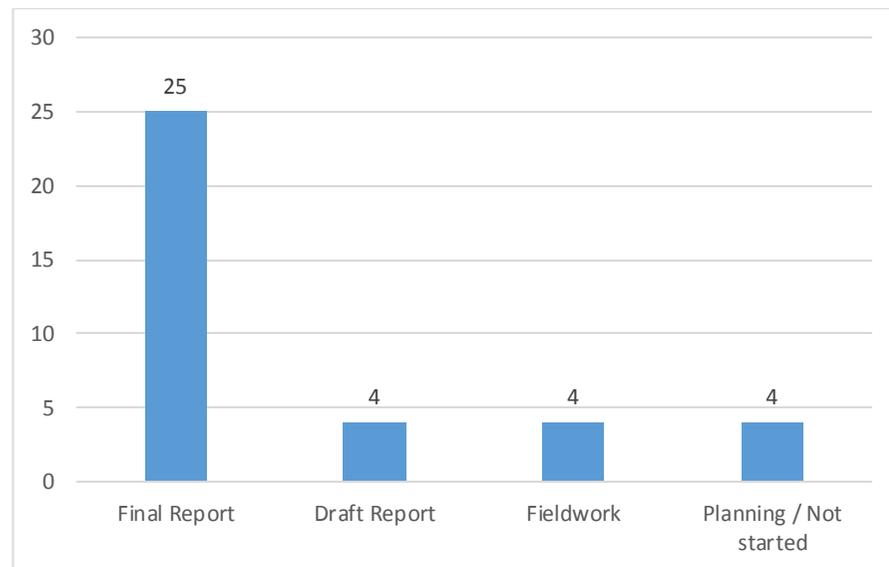
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan when needed to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils that we support.

## Audit Coverage and Performance Against Plan

Appendix 2 provides detail on delivery of the audit plan. During the year additional or ongoing grant reviews i.e., Covid-19 Business Grants) were undertaken at client request which has taken resource away from the original plan. Some audits were also paused while management undertake reviews. That said, we are making reasonable progress to deliver most of the plan to inform the annual audit report.

The chart below shows the status of audits at each stage. We are on track to deliver 90% of our audits for the year.

**Chart: Delivery of the 2023-24 audit plan**



## Customer Satisfaction

For every audit we ask the client to complete a customer satisfaction form. We have had the following returned to us recently.

Audit	Overall Score
Procurement	Excellent
Health and Wellbeing	Excellent
Pay	Excellent
Regeneration and Investment	Excellent
Council Tax Rebate Checks	Excellent

## DAP Member event – 16 Nov 23

DAP delivered an event for Audit Committee members and officers on 16 November 23. Feedback was positive on the event.

## Recruitment of Independent Audit and Governance Committee members

DAP has been supporting the appointment of independent members to District Audit Committees. Prospective candidates will be interviewed first by the Head of DAP and S151 officer, and then by committee members.

## Appendix 1 – Summary of audit reports and findings

Audit / Assurance Opinion	Summary, risk exposure and management actions
<b>Debt Management</b> <b>Reasonable Assurance</b>	<p>The Council has a good focus on debt collection. The overall debt at the end of 2022/23 has increased over the five-year period since 2018/19 from £7.1m to £9.7m. That said, most of the debt (75%) was less than a year old on 30 November 2023 meaning it is more likely to be recovered. For context, for collection of Council Tax and Business Rates, the council was in the top quartile for Council Tax and 2<sup>nd</sup> quartile for Business Rates, in comparison to other councils (Council Tax collection rate of 98.55%, and Business Rates 97.95% in 2022-23)</p> <p>The values below are the debt held on 31 Mar 23:</p> <p><b>Council Tax</b> - £4,841,155 (The annual amount of council tax billed by SHDC per year is in the region of £86 million)</p> <p><b>Business Rates</b> - £1,783,854 (The annual amount of business rates billed by SHDC per year is in the region of £25 million)</p> <p><b>Sundry Debt</b> - £1,744,854 (this includes a number of large invoices relating to Section 106 agreements which have been raised near the year end and thus increasing sundry debt levels)</p> <p><b>Housing Benefit Over payments</b> - £730,253</p> <p><b>Car Parking PCNs</b> - £45,850</p> <p><b>Salcombe Harbour</b> - £536,899 (Salcombe Harbour carries very little debt, the vast majority being less than 30 days old, but the value appears elevated at the year end due to the timing of when invoices are issued for annual mooring fees)</p> <p><b>Dartmouth Ferry</b> - £3,411.</p> <p>There are processes to monitor and manage debt collection and staff resources appear sufficient. Internal assistance is provided by the Legal service if decided this was the most appropriate debt recovery method. However, there is opportunity to make more effective use of external debt collection agencies,</p>

these currently only being used for revenues debts.

Although debt write offs are occurring, these reduced during the five-year period but are now improving. The existing write off policy only refers to revenue and benefit debts which may lead to inconsistent decisions regarding write offs across different services. (The Head of Revenues and Benefits has undertaken work to update the write off policy for all debts including sundry debt).

There is appropriate focus on improving efficiency, to better use systems and resources and to review processes to improve debt recovery and management. Without appropriate technical knowledge, best use may not be made of the debtor system, requiring additional manual input, for example to produce meaningful management reports.

The financial software is no longer supported by the system provider, including the debtor system resulting in increased Cyber risk. There is a contractual commitment to update to the most recent software version in the middle of 2024; this was delayed from 2023/24 due to the availability of ICT resource and to avoid the annual final accounts work. Aged data remains on the system, but it is intended to implement the archiving module by the end of 2023/24, subject to other work priorities. Both issues were raised in the 2023/24 Main Accounting System audit.

There is opportunity to improve the information provided to all services, as has been done for Assets, and for improved reports on debts to support resource prioritisation on debt recovery. Performance measures would help monitor the effectiveness of existing resource and recovery methods and allow assessment of the impact of changes to procedures.

**We agreed five Medium and four Low priority management actions.**

The five medium recommendations were on a policy for aged credits (value of £30K), a write off policy which has been implemented, further communications between the assets and finance team and a revised corporate debt policy which has been implemented.

**Cyber  
Governance  
Reasonable  
Assurance**

We identified a developing governance structure within the organisation, which is progressing positively. The newly developed risk management framework, including the recently formed Performance Board, provide the organisation with a platform to discuss and manage operational and corporate risks. There are clear lines of communication to ensure that decision makers have access to appropriate information to enable them to make informed decisions, with IT being involved from the procurement process, to acting as subject matter experts to decision makers.

There is scope to strengthen the Cyber governance framework; this includes:

- Continuing to fully embed the developing Cyber Response plans throughout the organisation, e.g., there are documents still in draft (e.g., IT Disaster Response plan), specific playbooks requiring further detail; with other playbooks awaiting creation, and the organisation completing limited testing of responses plans (both full / part invocations and table-top exercises).
- From the training completion records provided, Members have a low completion rate of mandatory training. Furthermore, we understand that there are varied levels of knowledge in relation to IT / Cyber risks for Members.
- An approved and formalised IT Strategy for the organisation is not in place (It has recently been taken to Senior Leadership Team)
- There is no ring-fenced budget for IT security within the 23-24 Budget Book, with reliance on reserves for capital items that relate to IT security (a budget of £75k has recently been added for Business Continuity and Cyber Security).
- There are two management actions which have exceeded their target dates from the 22/23 Malware and Ransomware audit report, and one management action where the risk has been accepted due to mitigations in place. One of the mitigations relates to network segmentation which remains an outstanding action in relation to implementation of Nutanix Flow.

Although there are areas as outlined above that could be strengthened, we note the ongoing positive direction of travel in relation to the Risk Management Framework and Performance Board, supporting their overall cyber governance.

**We agreed one High, six Medium, and four Low Management Actions.**

**The High management actions related to ensuring that the different elements of the cyber response plans are introduced (for instance the IT Disaster Recovery Plan is still in draft).**

## Housing Reasonable Assurance

The Council is working closely with registered housing providers and using its officers and financial resources to provide an effective plan for developing more affordable housing.

The Housing Strategy and Action Plan has been updated and approved by members. These are appropriately focused on meeting the declared housing crisis. This includes procurement of seven properties from the Government Local Authority Housing Fund. South Hams will also use capital, DCC and S106 funding of £1.3m and £953k LAHF for a total combined spend of £2.3m. These properties will be used for temporary accommodation of people arriving under the Afghan resettlement scheme, Homes for Ukraine and when no longer required for future housing needs of the Council as temporary

accommodation.

The Councils have also proposed schemes for the procurement or conversion of existing assets to provide additional Council owned long term rental accommodation. This is to reduce the increasing costs of providing temporary accommodation and to reduce the increasing length of stay of these tenants. The Housing Head of Service has estimated that each property could save in the region of £25k annually on temporary accommodation costs.

We consider the regular reports submitted to members regarding the Housing crisis and plans are beneficial and support the regular update of the Strategies in the annual Action Plans, approved by members.

We agreed management actions related to:

- Reports to members include service performance.
- Details are provided of the costs of providing the SeaMoor Letting service. A current business plan and objectives are also needed to confirm the scheme is meeting its objectives.
- That invoices issued to owners for rent payments include VAT details and rate of VAT.
- That managed property inspections are completed as required.

**We agreed eight Medium and eleven Low priority management actions.**

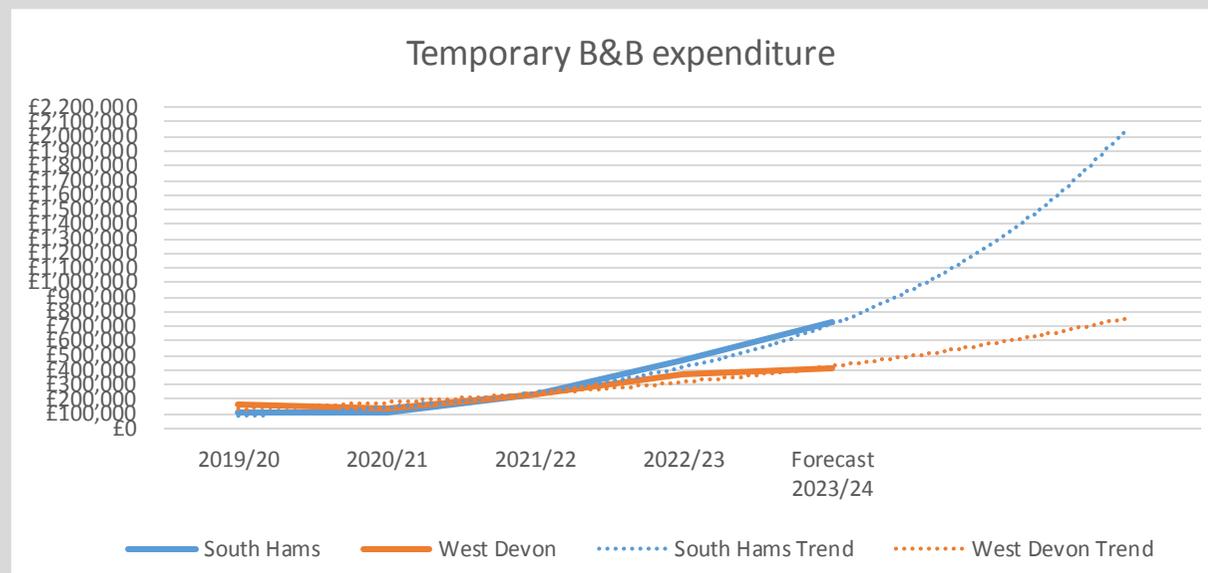
## Homelessness

### Reasonable Assurance

The Council has a robust Homelessness Strategy in place and is subject to annual input and review by members and partnership organisations. This is supported by an Annual Homelessness Action Plan. Policies and procedures ensure that homelessness prevention schemes are promoted, and applicants appropriately assessed.

The increasing cost impact of homelessness provision is of concern. National temporary Bed and Breakfast spending rose by a third in 2022 compared to 2021. For South Hams similar expenditure has doubled each year since 2020/21 with the expenditure for 2022/23 totalling £469k: a rise of 100% from £230k the previous year. Estimates by the Head of Housing has predicted that figures could reach nearly £703k (£534k with subsidy) for 2023/24 (see chart). This shows the potential costs should current plans have no effect. The plans would increase the South Hams owned housing portfolio to 41 properties. The Housing Head of Service has estimated each property could save approx. £20k to £25k annually on temporary accommodation costs.

Figure Temporary Accommodation Gross Expenditure



The level of expenditure is increasing due factors, including:

- Increased time spent in temporary accommodation.
- The average cost per night increasing from £71 to £100 per night.
- Increased demand.
- Lack of available accommodation for anyone with complex needs or requiring 4 or more bedrooms.

There are currently 34 individuals in temporary accommodation for South Hams.

The Council is actively seeking to reduce reliance on pay nightly accommodation by investing in its own stock of temporary accommodation through opportunities such as Local Authority Housing Fund and property acquisition whilst ensuring any stay is kept to a minimum.

The Councils have identified the increased costs in the Revenue Budget Monitoring reports submitted to members who recognise this as an area of concern. Options for the current year to use existing funding and reserves, will impact on potential future housing project funding. It will depend on the value of future

increased costs, and how the current supply of Council owned property can offset this. The purchase of Council property is outlined in our Housing Audit 2023/24 Report.

We have raised in previous audit reports that there is not a comprehensive list of all rent deposits and loans as a liability to the service. The service should also identify the value and action to be taken on recovery of related debts.

The service should also have appropriate measures to support Safeguarding by ensuring Disclosure and Barring Service (DBS) checks are held appropriately for all officers that require them. We have suggested the council create a policy that ensures relevant officers are subject to these checks.

**Ukraine Refugees** - The Council has provided four officers to help support Ukraine and other refugees. The officers involved have supported 236 individuals in South Hams. Officers have also provided valuable support and learning for individuals to help them gain employment and move to long term accommodation. Good reconciliation processes ensure recovery of all accommodation costs from the government.

We have advised that a formal Project Management Plan should be introduced to formerly develop the systems and processes related to the refugee programme.

**We agreed one High, eight Medium and ten Low Priority Management Actions.**

**The High action related to including regular reporting of temporary accommodation costs in the Head of Housing monthly housing update to members.**

## Recruitment

The councils are largely successful in recruiting to fill vacancies in a good timeframe. There are effective procedures to control recruitment and ensure timely progression from advertising to appointment, although a Recruitment Policy would provide clarity to all involved, including recruiting managers.

## Reasonable Assurance

The HR team have been making improvements to the recruitment process, including launching a new recruitment website to better attract candidates, promote the benefits of working for the Councils and provide a simple, transparent application process.

Good progress has been made in introducing i-Trent (the payroll system) to support the process; further significant system-based improvements are proposed, including using reports for basic analysis of the recruitment process. A Recruitment Action Plan would help take these and other improvements forward.

An appropriate priority is placed on fair and open competition supported by training, assessment methods, and applicant forms. Advice is provided to recruiting managers at all stages of the process and recruitment and appointment must both be approved by senior management. All recruiting managers

	<p>attended a one-off training event two years ago, which included equal opportunities, diversity, and unconscious bias. The on-going Line Manager Development Programme (LMDP), mandatory for all line managers at L4 and below, includes the same topics. It was decided Heads of Service and above had sufficient experience in recruitment and only needed to be familiarised with local procedures. Going forward there is going to be emphasis of provision of training for all involved in the recruitment process.</p> <p>We obtained feedback from a small sample of new employees, most of which was very positive. We also spoke to several recruiting managers, who again, whilst largely content with procedures, made several suggestions.</p> <p>Like other organisations it has been difficult to fill professional roles such as for planning and legal officers. Appropriate action is underway to address these areas. Other routes to acquire talent include apprenticeships and professional development of current staff.</p> <p><b>We agreed eight Medium and one Low Priority management action.</b></p>
<p><b>Performance Management including KPIs and Data Quality</b></p> <p><b>–</b></p> <p><b>Follow Up</b></p> <p><b>Reasonable Assurance</b></p>	<p>There have been significant improvements to procedures for gathering and reporting data. Overall, we assess that weaknesses identified in our last audit have been addressed. A refreshed Data Quality Framework on management of corporate performance management data has been published and drawn to the attention of all Heads of Service, alongside awareness raising of the importance of data quality. However, this information has not been cascaded down to those officers with day-to-day responsibility for data capture and reporting. Despite this, most have a good understanding of the need for high quality data, based on experience although some do not always demonstrate best practice.</p> <p>The Framework sets out responsibilities for ensuring data quality and procedures for monthly reporting on a suite of operational Key Performance Indicators (KPIs). The suite of KPIs was determined in consultation with the previous member administration, alongside the current corporate strategies. The KPI outturns are captured in a shared spreadsheet and are examined by the Performance Board who interrogate and use the data to inform service delivery. The Performance Board ensures overall compliance with the Framework. Regular reports are taken to the Overview and Scrutiny Committees. Most data is extracted from secure Council systems, only that relating to services delivered under contract being received from external sources. Proportionate checks are made to confirm accuracy of the data provided.</p> <p>The Councils have moved away from use of a central system (Pentana) to store reporting data to Excel spreadsheets. This manual system impacts on availability of an audit trail, and the ability to exploit the data such as through automated dashboard reports. Councils are increasingly using tools to support</p>

	<p>review and analysis of trends and issues. The council should consider whether investment in this area would be beneficial.</p> <p><b>We identified one Medium and four Low priority Management Actions.</b></p>
<p><b>Procurement - Follow Up</b></p> <p><b>Reasonable Assurance</b></p>	<p>We provided a Limited Assurance for our report in February 2023. Our current Reasonable Assurance opinion is based on progress to deliver agreed management actions from our previous audit, with most fully or partially actioned. Some have been delayed as they rely on publication of the Procurement Act 2023 which did not happen until October 2023, a year later than expected.</p> <p>There is also focus on meeting the new requirements of the Procurement Act in the transition year ahead. We have suggested development of an action plan to support this.</p> <p>Management should prioritise the following to support this transition: some are already supported by management actions:</p> <ul style="list-style-type: none"> <li>• Appropriate and expert procurement resource is required to build upon the recent drafted Procurement Strategy and action plan provided from the Devon Districts Procurement Group (DDPG) and to develop and implement a strategy specific to SHDC and WDBC, to ensure the council is ready for the Act and can maximise opportunities to support corporate priorities.</li> <li>• Development of key performance indicators to assess the effectiveness of the Strategy, and of the Procurement Service, particularly in responding to the new legislation and the potential it offers to advance corporate priorities.</li> <li>• Additional training specific to the new legislation; management intention is for this to be delivered jointly across the DDPG.</li> <li>• The single Corporate Procurement Officer provides procurement expertise shared by the three Councils (West Devon, South Hams, and Teignbridge). Management recognise current resource is not sufficient and have prioritised the recruitment of additional resource to ensure procurement best practice and remove the single point of failure at key procurement stages of ProContract, the e-procurement system. The Corporate Procurement Officer will also be away from April 2024 for some time.</li> <li>• SHDC and WDBC are recruiting a Procurement Support Officer, initially for a fixed one-year term, to assist with the administrative burden and provide continuity.</li> </ul>

- The Councils do not have a complete contract register although it has been added to since our last audit. This impacts on the ability to provide the procurement data detailed in the 2015 Transparency Code which is required by Department for Levelling Up, Housing and Communities. The additional resource highlighted above will focus on this work.

**We agreed six Medium and three Low Priority management actions, these include some from our previous report.**

## Commercial Properties and Rent – Follow Up

### Reasonable Assurance

Our Reasonable Assurance opinion is based on good progress to deliver agreed management actions from our previous audit, with all fully or partially implemented. The Councils have a good control framework to manage and monitor their commercial properties and ensure rents are set appropriately and collected. There is focus on ensuring software is used effectively to create efficiencies and support best practice. Management should continue to build on progress to date by prioritising completion of the following partially implemented actions:

- Develop Liberty workflow processes, particular for tasks which involve Estates, Finance Business Support and/or Legal.
- Hold regular meetings with Finance Business Support to review debt recovery progress.
- Ensure the Concerto software is used effectively to help administer and manage the commercial estate properties effectively.
- Ensure the external consultant completes work to review service charges for all properties and maintain them in the future.

Progress in improving the administration and management of the commercial property portfolio has been largely achieved by better use of the Concerto software. Key data is now held for all properties, and this may be expanded to include other categories of data. A data cleanse has been carried out and is nearing completion.

Several key performance indicators (KPIs) are now measured, including occupancy rates, rental income, and outstanding rent. Work has been done to better understand the cause of trends, for example, whether occupancy rates are high because rents are artificially low. The Head of Assets receives regular updates on all the KPIs and are included in Performance Board reports. Occupancy rates are formally reported to members.

A report was developed for the Performance Board, providing an overall health check of the commercial properties, to include outstanding rent reviews, Council rents versus open-market rents, rent arrears, etc.

A similar level of reporting is to be maintained.

The Estates team remain mindful of whether individual properties continue to meet corporate objectives. Alternatives are considered for those which do not perform as well as expected, such as selling or re-purposing the property. Future considerations are taken into considered, besides current performance. For example, a property may be in a strategic location that may benefit the authority in the future.

The process for rent reviews has been considered and aligned across the Estates team. This, alongside use of Concerto to provide reminders of when lease events fall due, has led to improved timeliness of rent reviews. The corporate workflow system, Liberty, has been used to improve the Legal work request process, enabling the Legal team to respond more promptly to requests for new or revised leases.

Invoices are no longer issued for 'peppercorn' rents, which are not economically viable to collect. However, they remain necessary for low value insurance recharges.

The need for Legal assistance with debt recovery has been reduced by reviewing Estates working practices. More active intervention is taken when tenants do not pay rent on time, to avoid arrears arising in the first instance. If a debt remains unpaid for more than sixty days, action is taken.

**We agreed two High, three Medium and one Low priority management actions.**

**The High Management actions relate to:**

- **The review and update of service charges should be completed.**
- **The review and update of existing property database on Concerto should be completed.**

## Totnes Markets

### Limited Assurance

The Council has operated a successful market at Totnes for years and has a thriving attendance both by traders and customers. We have confirmed that although procedures are in place regarding the market operation, income collection, trader compliance and market trader allocations, there are several instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved to ensure that they control these weaknesses. We have agreed recommendations on operation and control of the markets to further improve the controls and protect the officers managing them and market users.

Management has already highlighted that the current regulations and procedures need review to ensure they are still compliant and protecting both the Council and the market traders. We identify the following areas to consider:

- That policies and procedures are updated and issued promptly to market traders, and these are signed by each trader, including casuals, on a regular basis and that actions taken should there be any contraventions.
- That all trader's insurance and other compliance requirements are shown to have been checked accurately, this should be completed promptly and updated regularly and include casual traders. This should be supported by a centralised database of trader records managed under the required Data Protection and related regulatory and market policies.
- To confirm that the correct income is received for all stalls. To protect the integrity of the officers responsible for collecting rents, an audit trail should be available. Reconciliations should be completed and retained between the expected rents, the number of traders attending each market, the daily income, refunds recorded on the Square system and ultimately to the banking received.
- To protect the role of the Market Inspectors in the charging of rents and allocation of pitches there should be sufficient separation of duties.
- An audit trail to support any rent discounts to agreed tariffs, management approval and refund records.
- Undertaking independent reviews and documented spot checks of the markets, traders present and checks to income received. Continued regular checks of traders and market health and safety compliance.
- Comprehensive records to support pitch allocation, such as a scoring system, should be held to back up the allocation of permanent and casual pitches for each market and these are completed in agreement with the approved allocation policies.
- New and existing improvements to the management of the market to be set out in the required policies and procedures and that officers are required to confirm that they will abide with these procedures. Regular independent checks should be held to confirm compliance.
- That there is a coordinated approach to the management of the market and where required data and resources are actively shared and co-ordinated.

**We agreed two High, seven Medium and eight Low priority management actions.**

**The High actions related to:**

- **Ensuring an accurate record of expected traders and comparing it to income received.**
- **Checking that traders Public Liability Insurance are up to date.**

## Appendix 2 – Progress to deliver the audit plan.

Audit	Business Area	Assurance Opinion	Comments
<b>Final Report issued / Work Completed</b>			
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for South Hams, West Devon, and Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	

Audit	Business Area	Assurance Opinion	Comments
UK Shared Prosperity Fund	Strategic Finance	Substantial	
Homelessness	Place and Enterprise	Reasonable	
Housing	Place and Enterprise	Reasonable	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Reasonable	
Debtors	Strategic Finance	Reasonable	
Procurement	Strategy and Governance	Reasonable	
Commercial Properties and Rents – Follow Up	Place and Enterprise	Reasonable	
Cyber Security	Customer Services and Delivery	Reasonable	
Recruitment	Strategy and Governance	Reasonable	
Homes England Grant	Strategic Finance	Reasonable	South Hams only
Okehampton Railway Station Levelling Up grant	Strategic Finance		West Devon only

Audit	Business Area	Comments
<b>Draft Report</b>		
Salcombe Harbour	Place and Enterprise	
Safeguarding	Strategy and Governance	
Social Networking, Communications and Media	Strategy and Governance	We have provided an initial summary report to officers to inform development work. We will provide a formal audit report in Quarter 4.
<b>Fieldwork</b>		
Building Maintenance and Works – Follow Up	Customer Services and Delivery	We have monthly meetings with officers to discuss work to improve controls and implement our recommendations. An update audit report will be provided in Quarter 4.
Household Waste and Recycling	Customer Services and Delivery	
Car Parking	Customer Services and Delivery	
Planning – development management	Strategy and Governance	Include review of S106.

<b>Planning / Not Yet Started</b>		
Business Rates	Customer Services and Delivery	Follow up of Limited Assurance report, start mid Mar 24.
Council Tax	Customer Services and Delivery	Follow up of Limited Assurance report, start mid Mar 24.
Housing Benefits	Customer Services and Delivery	Start early Mar 24.
Contract Management: Waste and Recycling	Customer Services and Delivery	Start mid Mar 24.

Audit	Business Area	Comments
<b>Deferred to 2024/25</b>		
Corporate Governance	Strategy and Governance	Start Apr / May
Culture and Ethics	Strategy and Governance	Deferred to 2024/25
Health and Safety	Strategy and Governance	Start Apr 24
Environmental Services (Health and Safety)	Place and Enterprise	Start Apr 24
Grounds Maintenance	Customer Services and Delivery	Start Apr / May 24
Depot and Stores Control	Customer Services and Delivery	Start Apr 24