

Report to: **Audit and Governance Committee**  
Date: **23 July 2024**  
Title: **Update on the 2024-25 Internal Audit Plan**  
Portfolio Area: **Performance & Resources - Cllr C Edmonds**  
Wards Affected: **All**  
Urgent Decision: **N** Approval and clearance obtained: **Y**

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**RECOMMENDATIONS:****That the Audit & Governance Committee:**

- 1. NOTES and APPROVES the amendments to the 2024/25 Internal Audit Plan; and**
- 2. NOTES and APPROVES the progress made against the 2024/25 Internal Audit Plan, and any key issues arising.**

**1. Executive summary**

The purpose of this report is to inform members of the amendments made to the 2024/25 Internal Audit Plan following Member discussion on the Plan when the report was considered by the West Devon Audit and Governance Committee at their March 2024 meeting. In addition, the report sets out the principal activities and findings of the Council's Internal Audit team so far in the 24/25 Audit year.

**2. Background**

The Audit and Governance Committee, under its Terms of Reference contained in West Devon Borough 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 2023/24 audits that have been completed since 1<sup>st</sup> April 2024. Details of the review findings, recommendations and assurances provided are included in the "Annual Internal Audit Report for 2023/24" which is on today's Audit & Governance meeting agenda.

2023-24 Audits	Business Area	Assurance provided
Car Parking	Place and Enterprise	Substantial Assurance
Planning - Development Management	Strategy and Governance	Substantial Assurance
Council Tax	Customer Services and Delivery	Reasonable Assurance
Housing Benefits	Customer Services and Delivery	Reasonable Assurance
Business Rates	Customer Services and Delivery	Reasonable Assurance
Building Maintenance Follow Up	Customer Services and Delivery	Reasonable Assurance
Environmental Services	Place and Enterprise	Reasonable Assurance

The following table provides details of the assurances we have provided on completed 2024/25 audits:

2024-25 Audits	Business Area	Assurance provided
SeaMoor Lotto	Place and Enterprise	Reasonable Assurance

The Audit Team are currently working on the following 24/25 audits and are at various stages of completion:

2024-25 Audits	Business Area	Stage of Work
Business Continuity and Emergency Planning	Strategy and Governance	Draft Report Issued
Corporate Strategy and Plan	Strategy and Governance	Fieldwork On-Going
Health & Safety	Strategy and Governance	Fieldwork On-Going
Partnerships & Outside Bodies	Strategy and Governance	Terms of Reference issued
Freeport	Place and Enterprise	Terms of Reference issued

#### 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 and approves the amendments to the 2024/25 Internal Audit Plan and 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	<p>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.</p>

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**

#### **Appendices:**

A – Internal Audit Progress Report

#### **Background Papers:**

Internal Audit Plan 2024/25 as approved by Audit and Governance Committee in March 2024.

# Appendix A

## Update on 2024-25 Internal Audit Plan

### West Devon Audit & Governance Committee

23 July 2024

Tony Rose  
Head of Audit Partnership

Dominic Measures  
Audit Manager



Auditing for achievement

## Introduction

The Audit and Governance Committee, under its Terms of Reference contained in West Devon Borough 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 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 Internal Audit plan for 2024-25 was presented and approved by the Audit and Governance Committee in March 2024. Following Member discussion at the West Devon Audit and Governance Committee in March, amendments have been proposed which are outlined in this report.**

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 Hub 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 2024/25 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement 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.

## Amendments to 2024/25 Audit Plan

The 2024/25 Audit Plan was presented to Members at the last Audit & Governance Committee meeting in March. During Member discussions at the West Devon Audit & Governance Committee in March, Internal Audit were asked to consider a small number of changes involving the bringing forward of particular audits that were originally timetabled for future years. **The following amendments have been made for Members to now consider and approve.**

### Internal Audits added to 24/25 Plan

Audit	Days Added
Partnership and Outside Bodies	10
Staff Retention & Succession Planning	10
Health & Safety	10

### Internal Audits removed from 24/25 Plan

Audit	Days Removed
New ICT Systems	8

### Internal Audit reduction in Days in 24/25

Audit	Days Reduced
Markets Follow Up	5 (10 days reduced to 5 days)
Main Accounting System	5 (15 days reduced to 10 days)
Elections	5 (10 days reduced to 5 days)
UK Shared Prosperity Fund	3 (10 days reduced to 7 days)
Okehampton Station Levelling Up	3 (10 days reduced to 7 days)

This results in a net addition of one day to the 24/25 Audit Plan, 30 days added and 29 days removed or reduced.

## Executive Summary of Audit Results

### 2023/24

Since the start of the 2024/25 Audit year on 1<sup>st</sup> April, the Internal Audit team have been busy completing a number of audits that formed part of the previous year's audit plan for 2023/24. I am pleased to say that they are all at final report stage. Details of the individual review findings, recommendations and assurance opinion given are included in the "Annual Internal Audit Report for 2023-24" which is on the July Committee agenda for presentation to Members.

### 2024/25

With the completion of work on 2023/24 audits, attention has been turned to the 2024/25 plan and work has commenced on a number of audits. At the present time, one audit, the review of the SeaMoor Lotto has been completed with the issue of a final report where we provided a Reasonable Assurance opinion.

Appendix 1 of this report provides more detail on the findings of that one 2024/25 audit so far 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 are not aware of any reported fraud issues in the year to date. Management are aware that suspected issues can be referred to our specialist counter fraud team.

## Internal Audit Recommendation Tracking

We continue to provide details of all recommendations for officers to track.

A report on the status of recommendations (Audit Tracker) from the Assistant Director Strategy and Organisational Development was presented and discussed at the last Audit & Governance Committee

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 is adding 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.



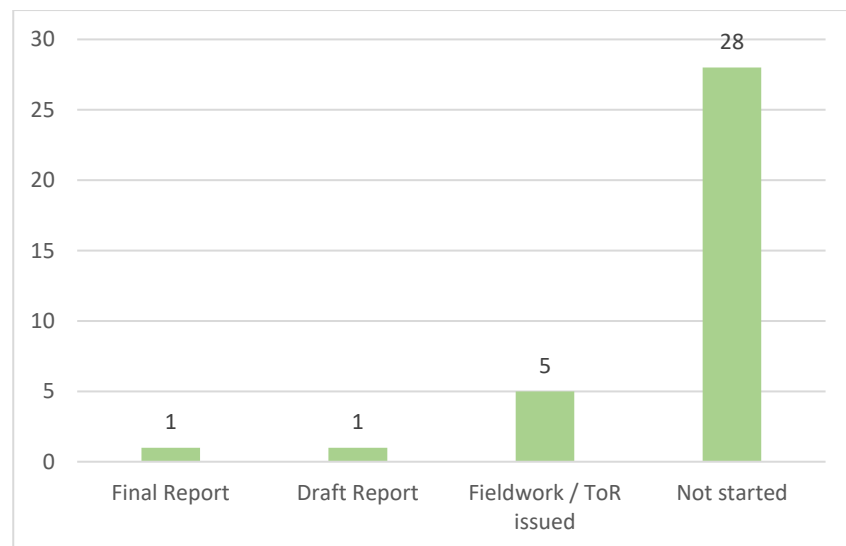
- Comparing and contrasting controls across the different Devon Councils that we support.

## Audit Coverage and Performance Against Plan

Appendix 2 provides detail on delivery of the audit plan. Since the start of the audit year, the audit team have been busy completing audits that were part of the 2023-24 plan and the results of these are included in the “Annual Internal Audit Report for 2023-24” which is on the July Committee agenda. Attention has now turned to the 2024/25 plan and the audit team are at varying stages of completing a number of those audits and we are making reasonable progress to deliver the plan.

The chart below shows the status of audits at each stage.

**Chart: Delivery of the 2024-25 audit plan**



## DAP Member event – 18 June 2024

DAP held another a free half day event for Audit Committee members and officers on 18 June 2024 at Buckfast Abbey,

The event covered the following topics:

- Integrated Assurance
- Cyber Governance
- Project and Programme Management
- Horizon Scanning and Risk Appetite
- Devon's Climate Emergency and Climate Action - Guest Speaker – Head of Environment, DCC

The feedback received following the event has been very positive and plans are to hold another event later in the year.

## Appendix 1 – Summary of audit reports and findings

Audit / Assurance Opinion	Summary, risk exposure and management actions
<b>SeaMoor Lotto</b> <b>Reasonable Assurance</b>	<p>In December 2017, members approved the formation of a lottery by South Hams and West Devon Councils, which commenced in October 2018. An External Lottery Manager (ELM) was appointed without a procurement undertaken as it was the sole provider of some specific services required at the time. Officers believe there are no other providers that offer the current level of service and therefore an exemption has been completed to extend the current lottery operation for up to six years from May 2024.</p> <p>Except for a small initial set up fee, subsequent running costs are covered by 20% of the income generated by ticket sales. Good causes receive 60% of income raised and the final 20% is used to maintain the prize fund.</p> <p>Good causes and players are directed to a dedicated website to sign up or buy tickets. However, without specific Council resource to oversee management or promotion of the lottery, there has been no increase in new sign ups, ticket sales or funds raised since the lottery's formation, values remaining low. The Community Development team have recently taken on this responsibility and work has commenced. The Councils have publicly committed to being responsible lottery operators and controls reduce the risk of illegal or addictive gambling.</p> <p>To be eligible beneficiaries, good causes must meet published criteria defined by the Councils and checks confirm this. There is no subsequent review to confirm on-going eligibility, but the Community Development team have recently commenced a review and data cleanse of live good causes and those with aborted applications. The ELM assists beneficiaries to set up an individual website page which can be populated with information on their charitable cause. Players can only purchase tickets through the SeaMoor Lotto website and controls exist to reduce the risk of illegal or irresponsible gambling, as set out in a suite of published policies.</p> <p>The ELM provides reports analysing the good causes signed up, ticket sales and funds raised. At the time of the audit review there were over 120 live beneficiaries with funds of approximately £25k per annum raised from sales of about 800 tickets each year. Without dedicated resource to co-ordinate management and promotion of the lottery, there have been few new sign ups since the lottery was launched and the annual number of ticket sales, and hence funds raised, have remained little changed since 2018.</p>

A percentage of funds raised go into a Community Fund which is distributed to voluntary and community organisations selected by the Councils. Only five grants have been paid since 2018 and the Councils hold £15k which has not been distributed. Management is considering a review of the Community Fund and a relaunch of the lottery, which will address some of these and other issues raised

**We agreed two Medium and three Low priority recommendations.**

## Appendix 2 – Progress to deliver the 2024-25 audit plan.

Audit	Business Area	Assurance Opinion	Comments
<b>Final Report issued / Work Completed</b>			
SeaMoor Lotto	Place and Enterprise	Reasonable Assurance	Summary of Findings in Appendix 1 above

Audit	Business Area	Comments
<b>Draft Report</b>		
Business Continuity and Emergency Planning	Strategy and Governance	Await officer responses to audit findings and recommendations
<b>Fieldwork / Terms of Reference Issued</b>		
Corporate Strategy and Plans	Strategy and Governance	Fieldwork on-going
Health & Safety	Strategy and Governance	Fieldwork on-going
Partnerships and Outside Bodies	Strategy and Governance	Preliminary Fieldwork now underway
Freeport	Place and Enterprise	Terms of Reference Issued
Procurement	Strategy and Governance	Terms of Reference Issued

Audit	Business Area	Comments
<b>Not Yet Started</b>		
Council Tax	Customer Services and Delivery	
Housing Benefits	Customer Services and Delivery	
Business Rates (NDR)	Customer Services and Delivery	
Building Maintenance & Works Commissioning	Customer Services and Delivery	
ICT / Cyber Security Audit	Customer Services and Delivery	
Commercial (Trade) Waste Collection (South Hams)	Customer Services and Delivery	
Depots & Stores Control	Customer Services and Delivery	
Grounds Maintenance	Customer Services and Delivery	
Markets – Follow-Up	Customer Services and Delivery	Follow up of Limited Assurance report
Culture and Ethics	Strategy and Governance	
Counter Fraud arrangements	Strategy and Governance	
Elections / Electoral Registration	Strategy and Governance	
Risk Management	Strategy and Governance	
Climate Change	Strategy and Governance	
Community Engagement & Consultation	Strategy and Governance	
Health and Wellbeing (Staff)	Strategy and Governance	
Creditors	Strategic Finance	
Debtors	Strategic Finance	
Main Accounting System (inc budgetary control)	Strategic Finance	

Audit	Business Area	Comments
VAT	Strategic Finance	
UK Shared Prosperity Fund	Strategic Finance	
Okehampton Railway Station Levelling Up Fund	Strategic Finance	
Treasury Management	Strategic Finance	
Net Gain Biodiversity Grant	Strategic Finance	
Homes Energy Grant Phase 2	Strategic Finance	
Electric Seaway grant sign off	Strategic Finance	
Food Safety – Follow Up	Place and Enterprise	Follow up of 23/24 audit to confirm food checks being undertaken
Dartmouth Lower Ferry	Place and Enterprise	