

**Agenda for Audit and Governance Committee  
Thursday, 28th January, 2021, 2.30 pm**

**Members of Audit and Governance Committee**

Councillors S Hawkins (Chair), F King (Vice-Chair),  
D Barrow, J Bailey, F Caygill, S Gazzard,  
P Hayward, N Hookway, G Pook and P Twiss

**Venue:** Online via the Zoom app.

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(or group number 01395 517546)  
Wednesday, 20 January 2021



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**Important - this meeting will be conducted online and recorded by Zoom only.**

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- 1 Public speaking  
Information on [public speaking](#) is available online
- 2 Minutes of the previous meeting (Pages 3 - 6)  
Minutes for 26 November 2020
- 3 Apologies
- 4 Declarations on interest  
Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)
- 5 Matters of urgency  
Information on [matters of urgency](#) is available online
- 6 Confidential/exempt item(s)

To agree any items to be dealt with after the public (including the Press) have been excluded. There are no items which officers recommend should be dealt with in this way.

## **Matters for Decision**

- 7 **S106 and CIL Internal Audit Report** (Pages 7 - 21)
- 8 **Internal Audit Activity - Quarter 3 2020/21 - SWAP** (Pages 22 - 37)
- 9 **Strata Annual Internal Audit report** (Pages 38 - 43)
- 10 **Audit Progress report - Grant Thornton** (Pages 44 - 49)
- 11 **Risk Management review - half year review** (Pages 50 - 52)
- 12 **RIPA update**  
At the meeting of 18 January 2018, Members agreed to receive an update on RIPA activity throughout the year (Regulation of Investigatory Powers Act). The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee.
- 13 **Audit and Governance Forward Plan** (Page 53)

## [Decision making and equalities](#)

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## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of the meeting of Audit and Governance Committee held at Online via the Zoom app. on 26 November 2020**

#### **Attendance list at end of document**

The meeting started at 2.30 pm and ended at 3.20 pm

#### **51 Public speaking**

There were no members of the public registered to speak.

#### **52 Minutes of the previous meeting**

The minutes of the Audit and Governance Committee held on 24 September 2020 were confirmed as a true record.

#### **53 Declarations on interest**

None

#### **54 Matters of urgency**

None

#### **55 Confidential/exempt item(s)**

None

#### **56 Statement of Accounts 2019/20 including Annual Governance Statement**

The Strategic Lead Finance advised the committee that the council was likely to be required to restate some of the statements in the draft accounts before members could finally approve them. This related to a technical capital accounting issue in the method that the Major Repair Expenditure was written out of Housing Asset Values. The proposed treatment by the Auditors differed to current practice although this would have no implication on the asset values on the Balance Sheet, or the bottom line Income and Expenditure in terms of the General Fund Balance or the Housing Revenue Account or any usable reserves. He recommended the item be deferred until the audit was finalised as well as that of the letter of representation being signed off at the same time.

#### **RESOLVED:**

that the adoption of the 2019/20 Statement of Accounts be deferred until the next Audit and Governance Committee meeting.

#### **57 Letter of representation**

The Strategic Lead Finance; as stated in the previous minute, suggested this item be deferred to the next committee meeting.

#### **RESOLVED:**

That the signing off of the letter of representation be deferred until the next Audit and Governance Committee meeting.

58 **Audit finding report - Grant Thornton**

Jackson Murray from Grant Thornton summarised the key findings and other matters arising from the statutory audit and the preparation of the Council's financial statements for the year ended 31 March 2020. The audit work was completed remotely during July to November 2020 and he thanked Simon Davey and his team for embracing being electronically audited.

The anticipated audit report opinion would be unqualified but with an Emphasis of Matter paragraph in relation to material uncertainties with regards to the valuation of land and buildings and investment properties, this was a national issue related to the Covid-19 pandemic and the Council followed national guidance from RICS in its valuations.

The Value for Money conclusion had been completed; the risk based review of the Council's value for money arrangements. Grant Thornton concluded that East Devon District Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources. They therefore anticipated issuing an unqualified value for money conclusion.

**RESOLVED:**

That the report be received and noted.

59 **Redmond Review of Local Authority Financial Reporting and Audit**

The Strategic Lead Finance informed members that on 8 September 2020 the Government published the results of an independent review, led by Sir Tony Redmond, into the effectiveness of local authority financial reporting and audit. Local authority accounts were complex and the review highlights a number of potential weaknesses with the current local audit framework and makes recommendations to address these. There was a discussion concerning the introduction of an independent member to the committee.

**RECOMMENDED to recommend to Council:**

1. to note the findings and recommendations of the Redmond Review, the implementation of some of these recommendations would require changes to primary legislation and revised Accounting Codes of Practice, and
2. the appointment of a suitably qualified, independent member the Audit and Governance Committee to support elected representatives in scrutinising local authority finances.

60 **RIPA update**

At the meeting of 18 January 2018, Members agreed to receive an update on RIPA activity throughout the year (Regulation of Investigatory Powers Act). The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee. Members asked for a simple written explanation of RIPA to be provided to the Committee at its next meeting this could then be used on the Council's

website to inform the public of the powers available and any recent use made of them; this being in line with some other authorities practice.

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## **Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2020/21.

Items to be considered at the January committee included:

- Statement of Accounts 2019/20 including Annual Governance Statement
- Letter of representation
- Internal Audit Activity – Quarter 3 2020/21
- External Audit Progress report
- External Annual audit letter
- Risk Management review – half year review
- Review of the Anti-Fraud Theft and Corruption Policy, Anti-Bribery Policy and Whistleblowing Policy
- Review of the Local Code of Corporate Governance
- Strata Annual Internal Audit report
- RIPA update and policy review

## **Attendance List**

### **Councillors present:**

S Hawkins (Chair)  
D Barrow (Acting Vice-Chair)  
J Bailey  
F Caygill  
S Gazzard  
P Hayward  
F King  
P Twiss

### **Councillors also present (for some or all the meeting)**

P Arnott  
P Faithfull  
A Moulding

### **Officers in attendance:**

Amanda Coombes, Democratic Services Officer  
Simon Davey, Strategic Lead Finance  
Steve Johnson, Grant Thornton  
Debbie Meakin, Democratic Services Officer  
Jackson Murray, Grant Thornton  
John Symes, Finance Manager

### **Councillor apologies:**

G Pook

Chairman .....

Date: .....

Report to: Audit and Governance Committee

Date of Meeting 28 January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## **S106 and CIL Internal Audit Report**

### **Report summary:**

South West Audit Partnership have undertaken an audit of the S106 and CIL system. The purpose of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions. The audit was brought forward at the request of the leader having originally been planned for quarter 4.

The report gives “limited assurance” noting that the S106 spend and collection work is not up to date due to the substantial work that has been involved in populating the Exacom system and the redeployment of officers into the community hub to help to support the community through the Covid-19 pandemic. The report notes that no monies have been lost or returned to developers as a result of this lack of resource but there are a significant number of outstanding actions required on the system.

The report makes two priority 2 recommendations relating to appointing additional temporary staff resource to help get the system up to date and the updating of guidance on the participatory budgeting process. A further two priority 3 recommendations are made in relation to the introduction of the public facing Exacom module and the use of Exacom for recovering outstanding payments. Officers acknowledge the findings of the audit and are committed to addressing the identified issues as a priority.

The report was reported to Cabinet at their meeting of the 6<sup>th</sup> January with Members noting the findings of the audit and the need to appoint additional staff resource as a priority.

### **Recommendation:**

That Members consider the findings and recommendations of the attached internal audit report on the management of the receipt and expenditure of S106 and CIL contributions.

### **Reason for recommendation:**

To make Members aware of the findings of the S106 and CIL Audit and the actions that are being taken to consider and respond to the findings.

Officer: Ed Freeman – Service Lead Planning Strategy and Development Management,  
[efreeman@eastdevon.gov.uk](mailto:efreeman@eastdevon.gov.uk), Tel: 01395 517519

### **Portfolio(s) (check which apply):**

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets

- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

**Financial implications:**

The recommendation for the appointment of additional temporary staff resource has been included in the preparation of the 2021/22 budget. This additional staff resource has been estimated at a cost of £33,000 and has been fully funded within the budget by an increased income contribution.

**Legal implications:**

The report does not raise any specific legal implications requiring comment.

**Equalities impact** Low Impact

**Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** None

**Link to Council Plan:**

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

# S106/CIL Compliance

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## Final Report

Issue Date: 7 December 2020

# Executive Summary

Assurance Opinion		Recommendation Summary	
Priority	Number	Priority	Number
Priority 1	0	Priority 1	0
Priority 2	2	Priority 2	2
Priority 3	2	Priority 3	2
Total	4	Total	4

## Audit Conclusion

The objective of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions. We originally had scheduled to undertake the audit in Quarter 4 however was brought forward to quarter 2 at the request of Members. A number of weaknesses were already known to the service at point of testing, such as the Exacom system not being up to date however work was ongoing to ensure that the system was brought up to date before the end of 2020/21. However, at point of testing these issues were still outstanding and have contributed to a Limited Assurance opinion being offered in relation to the audit objective.

The S106 spend and collection process is monitored and managed by a single S106 Officer with support on community consultation and engagement from the Community Engagement Officer. Although the S106 Officer is very experienced and knowledgeable it is a multi-faceted role with a significant workload. The implementation of Exacom has made administering and managing the process more efficient but it did take a considerable time to set up and the S106 Officer spent almost 12 months populating the system when it was first introduced back in late 2018/19, with the assistance of two temporary officers. This has caused a delay in progressing some of the S106 spend. In addition, during the Covid-19 pandemic, the S106 Officer was redeployed again to assist in the Community Hub. During this time, no S106 demands were raised and there was no community engagement or consultation as the Community Engagement Officer was also redeployed. This has resulted in Exacom not being up-to-date and reports showed that there were actions outstanding back to 2018. In addition, S106 demands have not been raised on a timely basis and there are also demands that require chasing but due to Exacom not being up to date we are unable to confirm the total outstanding. We therefore suggest that the resources required should be reviewed to assess the requirement to manage the backlog and resilience and that the S106 Monitoring/CIL Administrative fund be used to finance any requirements. Once the any additional resource has been agreed, Exacom should also be utilised further to aid in the recovery process. It is important to understand that none of these issues or delays have resulted in having to pay the developers back any unspent S106 contribution.

The Participatory Budget Guide used by Town and Parish Councils is on the EDDC website and provides the process for obtaining funding for Sport, Play and Open Space provision. It requires reviewing and updating to include the whole process until the project is complete. A flow chart of the process would make it easier to follow.

Finally, once Exacom is updated, the Public Facing Exacom should be rolled out as soon as possible. This will allow Parish and Town Councils and other interested stakeholders to access current information on the S106 spend received and due.

## Background

This audit was originally planned for quarter 4 however we were asked to bring it forward at the request of the Council Leader to assess the quality of management information and the level of community engagement.

The purpose of the audit is to ensure that EDDC have comprehensive controls to ensure that all planning contributions are collected and then spent in accordance with the agreements in place.

To address the impacts of development Councils seeks contributions from developers in the form of facilities, infrastructure, or financial contributions. Contributions were historically collected through Section 106 Agreements' (after Section 106 of the Town and Country Planning Act 1990). The Government has now introduced the Community Infrastructure Levy (CIL) which allows Councils to raise funds from developers undertaking new building projects in their area, to be used to fund a wide range of infrastructure that is needed as a result of development. The Levy operates alongside traditional Section 106 Agreements as a means of collecting developer contributions.

The EDDC Operational Risk Register has the following low risk relating to the impact of not receiving the contributions due:

*The Council does not receive grants and contributions to which it is entitled to meet, or help meet, its expenses having a negative impact on the Council's budget.*

The control is stated as Receipt of Section 106 funds and that there is an S106 Officer in post who ensures funds that are due to the Council are charged and that checks are made by accountancy to ensure monies received tied back to agreements.

EDDC use a participatory budgeting process to distribute the S106 funds for sport, play and open space provision. Therefore, the Town and Parish Councils and residents of East Devon are able to actively contribute in their development. We were unable to find any other Council that uses participatory budgeting in this way.

## Financial Information

The Project Dashboard in Exacom shows the following data on S106/CIL:

Type	Potential	Due	Collected	Allocated	Spent	Available
CIL	£5,231,143	£2,989,570	£5,397,903	£3,001,448	£86,880	£2,309,574
S106	£40,570,240	£575,002	£20,695,685	£3,080,790	£6,460,062	£11,158,104

For CIL, the amounts allocated to the Neighbourhood CIL are as follows:

Type	Potential	Due	Collected	Allocated	Spent	Available
Neighbourhood CIL	£924,817	£548,359	£861,553	£788,912	0	£72,642

15% of CIL receipts that arise from development in the parish area are allocated to the Neighbourhood CIL. For those Councils with a Neighbourhood Development Plan 25% of CIL receipts will be paid.

The CIL Regulations state that a Town/Parish Council must use CIL receipts passed to it in accordance with Regulation 59A or 59B to support the development of the local council's area, or any part of that area, by funding:

- (a) the provision, improvement, replacement, operation or maintenance of infrastructure; or
- (b) anything else that is concerned with addressing the demands that development places on an area.

For S106, the amounts that are allocated directly to the Parish and Town Councils for Play, Sport and Open space only. The figures are as follows:

Type	Potential	Due	Collected	Allocated	Spent	Available
Sport	£556,453	0	£528,896	£394,785	£48,326	£75,785
Open Space	£2,257,914	£397,546	£4,354,148	£1,838,518	£1,570,944	£944,686
Play	£859,721	£5,428	£777,939	£88,653	£387,402	£301,884
<b>Total</b>	<b>£3,674,088</b>	<b>£402,974</b>	<b>£5,660,984</b>	<b>£2,321,956</b>	<b>£2,006,673</b>	<b>£1,332,355</b>

This means that only 35% of S106 collections for sport, open space and play have been spent leaving 41% allocated but not yet spent and 24% available to be spent. £135,855 of these collections have been received up to 10 years ago. There is also £463,626 relating to 74 agreements which have passed their spend deadline. It is important to note that the spend deadline is not written into the agreement and therefore is only an internal target.

The Council charges 5% of the CIL receipts to fund the costs of the administration which currently has £123,535 available. There is also a S106 Monitoring Pot which has £46,124 available. This is used to fund the Planning Obligations Officer and the CIL Officer but there are funds remaining after these have been allocated.

## Corporate Risk Assessment

### Objective

To ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions.

Risk	Inherent Risk Assessment	Manager's Initial Assessment	Auditor's Assessment
1. S106/CIL contributions are not received by the Council or obligations are not met by developers resulting in reputational damage and financial loss.	High	Medium	Medium

### Scope

As part of our review the following controls were examined:

1. Data is input into the database in a timely, effective and accurate manner to allow appropriate management and monitoring of both the S106 and the CIL agreements.
2. There are clear processes and procedures in place for both staff and developers which are in line with legislation.
3. Reporting and monitoring of S106/CIL is undertaken on a regular basis and includes informing parishes on the receipt of S106 contributions and any delays in their receipt.
4. All relevant stakeholders are involved in the decision-making process and the participatory budgeting process is adhered to.
5. Trigger points are set so that demands are raised and collected on a timely basis.
6. Outstanding demands are subject to effective debt collections process including legal recovery when necessary.
7. The Impact of Covid-19 is understood and is being mitigated.
8. There is adequate resource in place to manage the S106 and CIL process.

We have concentrated on the S106 process and how the funds are used for sport, play and open space provision within the district. We have also undertaken a high-level review of the CIL process. We have not looked at the Affordable Housing Provision.

# Findings and Outcomes

<b>Risk 1.</b>	<b>S106/CIL contributions are not received by the Council or obligations are not met by developers resulting in reputational damage and financial loss.</b>	Medium
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## 1.1 Finding and Action

### Issue

Actions outstanding on Exacom dating back to 2018.

### Findings

We found that data is input into Exacom accurately and the issue identified in the previous audit on applications having a missing Ward or Parish is no longer a concern. However, there are a large number of outstanding actions dating back to 2018 and therefore Exacom is not currently up to date, which the team are already aware of. The Primary Stages report shows that the actions outstanding include:

Year	Total	Check/Email Devon CC to see if actions outstanding	Demand required or needs chasing	Spend needs checking to see if allocated and/or spent	Site Visit required	Miscellaneous
2018	881	57	87	229	96	412
2019	150	7	2	41	2	98
2020	218	1	3	37	3	174
Total	1249	65	92	307	101	590

There are also 770 agreements where the target is ASAP and these relate to removing Land Charges. However, this was followed up with the Land Charges team and 152 of these agreements have been removed but Exacom has not been updated.

We are unable to state with certainty that all these actions are outstanding as it may be just a case of the action not being removed once completed but this is the report that the Planning Obligations Officer will use to deal with outstanding actions. It is also difficult to ascertain the full impact of these outstanding actions and what the implications is on them remaining incomplete, although some of the financial impact is shown in Finding 1.2 below. The reason for the delay in completing the outstanding actions is mainly caused by the Planning Obligations Officer was redeployed to populate Exacom, input the projects and sort out the finances during late 2018 – autumn 2019 and therefore was not undertaking her usual role. In addition, during the Covid-19 pandemic both the Planning Obligation Officer and the Community Engagement Officer were redeployed to the Community Hub to assist. This meant that very little progress was made during this period either. There was no cover for S106 during the periods when the Planning Obligations Officer was redeployed which caused these actions to remain outstanding for, in some cases, over two years.

There is a CIL administration Fund and S106 Monitoring Fund which is used to fund both the Planning Obligations Officer and Planning Obligations Support Officer. However, there is currently sufficient funding left to consider appointing an officer to assist with the backlog and provide the resilience required.

We also suggest that the Primary Stages Report is run on a regular basis and presented to the Assistant Development Manager and Development Manager to monitor the progress of the outstanding actions and establish whether any additional resource has been effective.

SWAP Ref: 44284

Agreed Action	Priority Score		
We agree to review the current resources and review the requirement for a temporary officer to be appointed to assist with the backlog of actions We will also instruct the Planning Obligations Officer to provide us with a quarterly report on the status of the outstanding actions – including recovery (see finding 1.2).	2		
Responsible Officer	Development Manager	Timescale	Quarterly reports from Jan 2021 Review resource needs and advertise post by end Feb 2021 Appoint: April 2021

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## 1.2 Finding and Action

### Issue

Not all demands are raised on a timely basis and the recovery processes are ineffective as there are unpaid demands dating back to 2017.

### Findings

We are unable to confirm with any accuracy how many demands are due to be raised although the Primary Stages Report indicates that there are 92 demands that either require raising or chasing.

The Balance Sheet Report shows the following data:

Type of Value	Amount	Number of Covenant
Total Potential	£60,684,908	1766
Total Due	£20,823,408	961
Total Paid	£20,574,085	901

Other important data is shown below:

Total Potential unraised/not due	£40,773,328	805
Total due but not received	£510,521	61

We were advised that the amount 'due but not received' should be correct but they have not been double checked for accuracy and could have been superseded with new permissions.

We were informed by the Planning Obligations Officer that a more accurate method to establish which demands require raising was to review the actions outstanding on the Primary Stages Report. This report showed that there are 92 applications that require invoices raising or chasing and we were advised that no demands have been raised between April and August 2020 during the Covid-19 pandemic.

Total value of these agreements is £1,241,916 but £812,177 has been paid leaving a total of £429,739 that potentially requires raising. This does not include one application which totals £4,663,493 where there has been some payments received but there is currently a demand required for the indexation amount and late payment interest plus 5 months x £999 for monitoring fees which has not yet been raised.

We also ran the S106 Unpaid demands report in early September, and this showed the following demands remain unpaid:

Year	Value	Number of demands
2017/18	£136,819	36
2018/19	£7,452	3
2019/20	£60,795	10
2020/21	£265,086	5
<b>Total</b>	<b>£470,153</b>	<b>49</b>

Exacom has the ability to monitor outstanding debts and can be used to issue reminder letters via the Notices Module. However, the demand raising and recovery process, has not been formally agreed since it has moved from the Accounts Payable function, so this has not been utilised. It should therefore be made a priority to review all the demands outstanding and issue reminders using Exacom where appropriate and this could include using a temporary officer to assist in the raising and chasing of demands where appropriate.

In addition, the outstanding actions on the Primary Stage Report should be reviewed and all demands that are due should be raised.

**NOTE:** A recommendation has already been made as part 1.1 re. additional resource to support in the management of data which will support in addressing this issue.

SWAP Ref: 44284

Action	Priority Score		
We will start to utilise Exacom to track the recovery process including using further notices and date tracking. This process relies on having sufficient resource in place so will be reliant on a temporary officer being appointed.	3		
Responsible Officer	Planning Obligations Officer	Timescale	By June 2021

### 1.3 Finding and Action

#### Issue

Participatory Budgeting Guide is out of date and not easily located.

#### Findings

The main information that is available for Town and Parish Councils to advise them of how the S106 spend process works is the Participatory Budgeting Guide on the website. We were advised by the Planning Obligations Officer that she provides the link direct to the correct part of the website, but it is difficult to find it if you search for it on the website.

In addition, although this is useful information to assist the Town and Parish Council with the process it should be reviewed and updated. The following issues were identified:

- It states that Community Infrastructure Levy (CIL) is due to start soon when it was implemented in September 2016.
- It also states that EDDC are considering expanding the types of open space that the contributions can be used for and this has taken place as contributions are used for open spaces as well as sport and play.

The update should make clear the differences between the S106 and CIL and provide some idea of the timescales involved in the whole process. We also suggest that Parish and Town Councils undertaking the participatory budget process should take minutes at their steering/working groups and publish them on their websites to ensure that the process is open and transparent. We also suggest that reference is made to the benefit of having Neighbourhood Plans in place. This can reduce the time taken to complete the process if consultation has already been undertaken on the open space, sport and play requirements in the Parish or Town and is included in the Plan

SWAP Ref: 44299

Action	Priority Score	2	
We will review and update the Participatory Budgeting Guide, and this will include recommending that Parish and Town Councils should take minutes of the steering/working groups and publish them on their website.			
Responsible Officer	Development Manager	Timescale	By end Jan 2021

## 1.4 Finding and Action

### Issue

Parish and Town Councils are not advised on how much S106 has been collected.

### Findings

Currently, EDDC do not routinely provide the Parish or Town Councils with a report on how much S106 has been collected although they will provide this information if requested. However, they do receive an update on how much CIL has been allocated.

We discussed reporting with the Planning Obligations Officer, and she advised that she could produce an update to Parish and Town Councils on how much S106 has been collected. However, with the upcoming public facing module from Exacom soon to be published, this information will be readily available then. Parish and Town Councillors can then extract the information when required.

The Public Facing Exacom is working in the test system and is ready to be published once the data is brought up to date. It therefore should be made a priority to ensure that this is completed as soon as possible and then Exacom should be published.

SWAP Ref: 44300

Proposed Action	Priority Score		
We will ensure that the Public Facing Exacom is made available as soon as we have been given assurance that the Exacom is complete and accurate.			
Responsible Officer	Development Manager	Timescale	By end March 2021

## Other suggestions

### Overage

The Development Delivery Project Manager introduced a new procedure in January 2020 to monitor those S106 agreements with an overage clause. Prior to this process being implemented EDDC would be relying on the developers to submit the final account which is part of the agreement. A former Housing Delivery Officer was previously monitoring Overage but when she left in 2018 there was a period when it was not being monitored. However, this was picked up the Planning Obligations Officer after a gap when it wasn't being monitored.

The Development Delivery Project Manager confirmed that EDDC have not missed issuing any Overage demands but as the Development Accounts have not been submitted by the developers it maybe that they are due.

The agreements with an overage clause have all been reviewed and recorded them on a table to monitor the status. Due to the Covid-19 pandemic no work has been done on this since March, but the Officer is progressing it from October 2020 and will be issuing stage 1 letters to all developers who have an overage clause and haven't sent in the Development Account and have completed the site.

It was agreed that a full audit trail of actions undertaken on each agreement should be held.

# Audit Framework and Definitions

Assurance Definitions	
None	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.
Limited	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	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.
Substantial	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.

Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

Please note that this report has been prepared and distributed in accordance with the agreed Audit Charter and procedures. The report has been prepared for the sole use of the Partnership. No responsibility is assumed by us to any other person or organisation.

If you require the report in an alternative format, please contact SWAP Head Office.

Report to: Audit and Governance Committee

Date of Meeting 28 January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



### **Internal Audit Plan Progress January 2021 (2020/21)**

#### **Report summary:**

This report is to provide an update on the 2020/21 Internal Audit Plan as at January 2021.

#### **Recommendation:**

Members are asked to note progress made in delivery of the 2020/21 internal audit plan and significant findings.

#### **Reason for recommendation:**

The Committee are required to review the progress of the audit plan.

Officer: Alastair Woodland, Assistant Director, SWAP.

---

#### Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

#### **Financial implications:**

There are no direct financial implications identified.

## **Legal implications:**

The legal framework is reflected in the report. While there are no direct legal implications arising, ensuring Key Actions are carried out will reduce risk to the Council which in turn will reduce the chance of failures or challenges occurring.

## **Equalities impact** Low Impact

## **Climate change** Low Impact

**Risk:** Low Risk;

**Links to background information** [Approved Internal Audit Plan 2020/21 – Audit and Governance Meeting September 2020](#) item 40

## **Link to Council Plan:**

Priorities (check which apply)

- Outstanding Place and Environment
- Outstanding Homes and Communities
- Outstanding Economic Growth, Productivity, and Prosperity
- Outstanding Council and Council Services

# East Devon District Council

## Report of Internal Audit Activity

Plan Progress 2020/21 January 2021

# Contents

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# Internal Audit Plan Progress 2020-21

## Our audit activity is split between:

- Operational Audit
- Governance Audit
- Key Control Audit
- IT Audit
- Grants
- Other Reviews



## Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter which was presented at the September 2020 Audit and Governance Committee.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes:

- Operational Audit Reviews
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- Grants
- Other Special or Unplanned Review

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Senior Management Team. Due to Covid-19 presentation of the 2020-21 plan to the Audit Committee was delayed. The plan was presented at the September 2020 Audit & Governance Committee. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

# Internal Audit Plan Progress 2020-21

## Outturn to Date:

We rank our recommendations on a scale of 1 to 3, with 3 being minor or administrative concerns to 1 being areas of major concern requiring immediate corrective action.



## Internal Audit Work programme

The schedule provided at [Appendix B](#) contains a list of all audits in the draft plan for 2020-21. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on [Appendix A](#) of this document.

The following table summarises the Audits finalised from the 2020/21 Plan.

Audit Area	Quarter	Status	Opinion
Housing Gas Compliance	Q2	Final	Reasonable
Green Waste	Q1	Final	Reasonable
Asset Registers	Q2	Final	Reasonable
S106/CIL	Q2	Final	Limited
Creditors	Q2	Final	Substantial

Please see the Limited/No Assurance section below for further information on the above reviews.

# Internal Audit Plan Progress 2020-21

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## Significant Corporate Risks

**Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.**

## Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee**

- Limited or No Assurance Opinions
- Follow-ups



## Significant Corporate Risks

We provide a definition of the 3 Risk Levels applied within audit reports and these are detailed in [Appendix A](#). For those audits which have reached report stage through the year, I will report risks we have assessed as 'High'.

In this update there are no final reports included with significant (High) corporate risks.



## Summary of Work Completed – Limited or No Assurance Opinions

### Section 106 and Community Infrastructure Levy (CIL) – Limited Assurance

Planning Contributions were historically collected through Section 106 Agreements' (after Section 106 of the Town and Country Planning Act 1990). The Government has now introduced the Community Infrastructure Levy (CIL) which allows Councils to raise funds from developers undertaking new building projects in their area, to be used to fund a wide range of infrastructure that is needed as a result of development. The Levy operates alongside traditional Section 106 Agreements as a means of collecting the contributions. The EDDC Operational Risk Register has the following low risk relating to the impact of not receiving the contributions due:

*The Council does not receive grants and contributions to which it is entitled to meet, or help meet, its expenses having a negative impact on the Council's budget. ng developer contributions.*

The objective of the audit was to ensure that appropriate arrangements are in place to manage the receipt and expenditure of S106 and CIL contributions. We originally had scheduled to undertake the audit in Quarter 4 however was brought forward to quarter 2 at the request of Members. A number of weaknesses were already known to the service at point of testing, such as the Exacom system not being up to date with work ongoing to ensure that the system was brought up to date before the end of 2020/21. However, at point of testing these issues were still outstanding and have contributed to a Limited Assurance opinion being offered in relation to the audit objective.

# Internal Audit Plan Progress 2020-21

## Completed Assignments:

**Summary of work completed with a focus on the high priority issues that we believe should be brought to the attention of the Audit Committee**

- **Limited or No Assurance Opinions**

## Summary of Work Completed – Limited or No Assurance Opinions

The S106 spend and collection process is monitored and managed by a single S106 Officer with support on community consultation and engagement from the Community Engagement Officer. Although the S106 Officer is very experienced and knowledgeable it is a multi-faceted role with a significant workload. The implementation of Exacom has made administering and managing the process more efficient but it did take a considerable time to set up and the S106 Officer spent almost 12 months populating the system when it was first introduced back in late 2018/19, with the assistance of two temporary officers. This has caused a delay in progressing some of the S106 spend. In addition, during the Covid-19 pandemic, the S106 Officer was redeployed again to assist in the Community Hub. During this time, no S106 demands were raised and there was no community engagement or consultation as the Community Engagement Officer was also redeployed. This has resulted in Exacom not being up-to-date and reports showed that there were actions outstanding back to 2018. In addition, S106 demands have not been raised on a timely basis and there are also demands that require chasing but due to Exacom not being up to date we are unable to confirm the total outstanding. We therefore suggest that the resources required should be reviewed to assess the requirement to manage the backlog and resilience and that the S106 Monitoring/CIL Administrative fund be used to finance any requirements. Once the any additional resource has been agreed, Exacom should also be utilised further to aid in the recovery process. It is important to understand that none of these issues or delays have resulted in having to pay the developers back any unspent S106 contribution.

There were two Priority 2 recommendations and two Priority 3 recommendations made within this review. The two priority 2 recommendations raised in our report are detailed below in [Appendix C](#). The recommendation made in this review will be followed up within the next 6 months to confirm their implementation.

# Internal Audit Plan Progress 2020-21

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



## SWAP Performance

SWAP now provides the Internal Audit service for 25 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the 2020/21 (as at 13 January 2021) were as follows:

Performance Target	Target Year End	Average Performance
<b><u>Audit Plan – Percentage Progress</u></b> Final, Draft and Discussion In progress Not Started	>90%	52% 20% 28%
<b><u>Quality of Audit Work</u></b> Customer Satisfaction Questionnaire	>95%	None Received
<b><u>Outcomes from Audit Work</u></b> Value to the Organisation <i>(client view of whether our audit work met or exceeded expectations, in terms of value to their area)</i>	>95%	Year end

# Internal Audit Plan Progress 2020-21

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Due to Covid-19 the plan priority areas will be agreed on a quarter by quarter basis.



## Approved Changes to the Plan

The audit plan for 2020/21 is detailed in [Appendix B](#). Inevitably changes to the plan will be required during the year to reflect changing risks and ensure the audit plan remains relevant to East Devon District Council. Members will note that where necessary any changes to the plan throughout the year will have been subject to agreement with the appropriate Service Manager and the Section 151 Officer.

To manage continuity of work during Covid-19 we have adapted the quarters when audits are undertaken which has resulted in some audits being brought forward and others being pushed back depending on service pressures and staff availability. The new national lockdown announced in January 2020 has further increased the pressure on EDDC through administering additional grants which impacts on BAU service requirements. Also recognising that Fraud risks increase in times of change or crisis changes have been made to the Audit plan to manage these two aspects. Current planned timing of audits is contained in [Appendix B](#).

The following audits have been removed from this years' plan:

- **Commercialisation Strategy** – The Commercial Strategy was auditing in 2019-20 and due to Covid-19 no further progress has been made in moving the Strategy forward. Replaced with **Covid-19 Grants Q3 Spotlight checks**.
- **Disabilities Facilities Grant** – Pressure on service staff at this point in time. To include within 2021-22. Replaced with **Fraud Risks – Impact of Covid-19**
- **Private Sector Fines** – Pressure on service staff at this point in time. To include within 2021-22. Replaced with **Council Baseline Assessment of Maturity for Fraud Prevention** and **Fraud Risk Assessment**.
- **Accounts Receivable** – Pressure on service staff at this point in time. To include in quarter 1 of the 2021-22. Replaced with **Covid-19 grants Q4 – Pre and post checks**
- **National Domestic Rates** – We usually combine Council Tax and NDR into a single review. Due to the pressure on the NDR team this element of the review has been removed.



## Conclusion

Given the impact of Covid-19 good progress has been made on the Audit Plan for 2020-21 and I would like to thank EDDC Officers given the additional pressures they have and continue to face.

I would like to draw members attention to recent guidance issued by CIPFA regarding the Head of Internal Audit Annual Opinions. This guidance summarises the requirement on the Head of Internal Audit and Leadership team and how to deal with the impact of insufficiency work and the impact this will have on the Annual Audit Opinion. I can confirm to the Audit Committee, given the work undertaken to date, and the work planned for quarter 4 means there should be no limitations on the Annual Audit Opinion.

Finally, I would like to advise members that we are looking to move towards a more 'continuous' audit planning process given the level of uncertainty and changes that are now common ground and likely to be for the foreseeable future. Therefore, I would welcome input from members on a quarterly basis regarding your views on governance, risk and control and what that would mean for areas for inclusion in the Audit Plan. We are in the process of pulling a rolling annual plan together for 2021-22 and therefore could members inform me by no later than 12 February of areas for consideration and inclusion.

Assurance Definitions	
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control are inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	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	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.
Substantial	A sound system of governance, risk management and control exist, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Non-Opinion/Advisory	In addition to our opinion-based work we will provide consultancy services. The "advice" offered by Internal Audit in its consultancy role may include risk analysis and evaluation, developing potential solutions to problems and providing controls assurance.

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Definition of Corporate Risks	
Risk	Reporting Implications
High	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.
Medium	Issues which should be addressed by management in their areas of responsibility.
Low	Issues of a minor nature or best practice where some improvement can be made.

Categorisation of Recommendations	
In addition to the corporate risk assessment it is important that management know how important the recommendation is to their service. Each recommendation has been given a priority rating at service level with the following definitions:	
Priority 1	Findings that are fundamental to the integrity of the service's business processes and require the immediate attention of management.
Priority 2	Important findings that need to be resolved by management.
Priority 3	Finding that requires attention.

## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
<b>FINAL</b>									
Operational Audit	Affordable Housing	1	Final	Reasonable	2	0	2	0	
Governance Fraud and Corruption	Discretionary Grant – Spotlight checks & Advice	1	Final	Advisory	0	0	0	0	
Governance Fraud and Corruption	Audit Committee Benchmarking	1	Final	Advisory	0	0	0	0	
Operational	Green Waste	1	Final	Reasonable	4	0	2	2	
Governance, Fraud and Corruption	Asset Register	2	Final	Reasonable	6	0	2	4	
Governance, Fraud and Corruption	S106/CIL Audit	2	Final	Limited	4	0	2	2	
Governance, Fraud and Corruption	Housing – H&S Compliance (Gas Safety)	2	Final	Reasonable	3	0	1	2	
Key Controls	Creditors	2	Final	Substantial	2	0	0	2	
Governance, Fraud, Corruption	<b>New:</b> Covid-19 Grants Q3 Spotlight checks.	3	Final	Advisory	0	0	0	0	
<b>DRAFT</b>									
Governance, Fraud, Corruption	Procurement	4	Draft						Moved to Quarter 3 in agreement with the S151

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## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	Ethical Governance & Culture	1	Draft						
Governance, Fraud and Corruption	Performance Management	3	Draft						
Governance, Fraud, Corruption	Council Premises – H&S Compliance	2	Draft						
<b>IN PROGRESS</b>									
Governance, Fraud, Corruption	Firmstep – Digital Transformation	3	In Progress						
Key Control	New Council Tax Reduction Scheme	3	In Progress						
Key Control	Council Tax	4	In Progress						Removed NDR section of this audit.
Governance, Fraud, Corruption	Integrated Asset Management Contract	4	In Progress						
Governance, Fraud, Corruption	<b>New:</b> Council Baseline Assessment of Maturity for Fraud Prevention	4	In Progress						
<b>NOT STARTED</b>									
Governance, Fraud, Corruption	<b>New:</b> Covid-19 grants Q4 – Pre and post checks	4	Not started						

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## Summary of Work Plan

## Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Governance, Fraud, Corruption	New: Fraud Risk Assessment	4	Not Started						
Governance, Fraud, Corruption	LED Contract Management	4	Not Started						
Governance, Fraud, Corruption	NEW: Fraud Risks – Impact of Covid-19	4	Not Started						
Governance, Fraud, Corruption	Decision Making	4	Not Started						
Follow up	Corporate Health and Safety	4	Not Started						
Follow up	Data Protection (GDPR)	4	Not Started						
<b>DEFERRED OR REMOVED</b>									
Governance, Fraud, Corruption	Commercialisation Strategy	3	Removed			Replaced with Covid-19 Grants Q3 Spotlight checks.			
Operational Audits	Disabilities Facilities Grants and Better Care Funds	4	Removed			Replaced with Fraud Risks – Impact of Covid-19			
Operational Audits	Private Sector Housing – Fines for Non-compliance	4	Removed			Replaced with Council Baseline Assessment of Maturity for Fraud Prevention and Fraud Risk Assessment			
Key Controls	Accounts Receivable	4	Removed			Replaced with Covid-19 grants Q4 – Pre and post checks			

This section records the high priority actions (Priority 1 or 2) only.

The following are the weaknesses found and actions arising from the limited assurance S106 and CILs review.

P1 or P2	Weaknesses Found	Managers Agreed Action	Responsible Officer	Agreed Date of Action
<b>Section 106 and Community Infrastructure Levy (CIL)</b>				
<b>Risk: S106/CIL contributions are not received by the Council or obligations are not met by developers resulting in reputational damage and financial loss.</b>				
P2	Actions outstanding on Exacom dating back to 2018.	We agree to review the current resources and review the requirement for a temporary officer to be appointed to assist with the backlog of actions We will also instruct the Planning Obligations Officer to provide us with a quarterly report on the status of the outstanding actions – including recovery.	Development Manager	April 2021
P2	Participatory Budgeting Guide is out of date and not easily located.	We will review and update the Participatory Budgeting Guide, and this will include recommending that Parish and Town Councils should take minutes of the steering/working groups and publish them on their website.	Development Manager	End January 2021



devon**audit**partnership

## Internal Audit Report

### Strata ICT Audit Summary 2019/20

Strata Services Solutions - ICT  
Partnership organisation of  
Exeter, East Devon and  
Teignbridge

*July 2020*  
**OFFICIAL**

## 1 Introduction

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Strata Service Solutions has three founding partners; East Devon District Council, Exeter City Council and Teignbridge District Council (The Partners). The creation of Strata in 2014 was an innovative approach that has positioned the Partners well as many Council's around the country increasingly look to enter into similar partnership arrangements.

The approach has been proven to exceed expectations, including the financial benefit delivered to the Partners. With the common infrastructure platform and desktop in place, the new Strata Business Plan confirms the desire to continually improve and fulfil the critical role of enabling technology driven transformational change.

The SOCITM 2019 Policy Briefing on Technology related trends for the public sector in 2019, SOCITM identify 'Partnering and Sharing Locally' as a key trend for Councils who 'need to adopt and share in order to remain solvent'. Nationally, the concept of the Unitary Authority is likely to become more prevalent as local government finances continue to be stretched.

*"Complex business priorities for the public sector will determine IT priorities in 2019 – and we have mostly gone beyond a narrow view of IT as a cost centre, to become a strategic enabler. That is what digital transformation' is all about..."*

SOCITM Policy Briefing  
2019

## 2 Audit Opinions

This section summarises our assurance opinions for the overall delivery of IT service by Strata as well as the two individual audit review areas covered during 2019/20. Opinions regarding assurance for the individual control areas for Cyber Security are included as part of the Cyber Security report.

<b>Overall Conclusions (including Strategy &amp; IT Operations)</b>	
Effective service delivery occurs when an IT organization performs an IT service (business process, application, IT skills, hardware, software, or infrastructure service) that the customer values and desires and that the customer cannot or does not want to perform itself.	Good Standard 
<b>Project Management &amp; Solution Delivery Processes</b>	
Service Design (Project Fulfilment) - Processes to transform the strategic requirements of Strata (and its clients) into effective business solutions are effective.	Good Standard 
<b>Cyber Security</b>	
Cyber (Security) can be considered to be a body of technologies, processes and practices designed to protect networks, computers, programs and data from attack, damage or unauthorised access.	Good Standard 

### 3 Executive Summary

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Previous reports have highlighted the strengths of both the Strata's strategic concept and direction and, in the day to day delivery of the full range of IT services to the Partners. Work undertaken this year further confirmed that the direction of travel remains upwards and that the appetite to continually improve remains as strong as ever.

The importance for organisations to have effective and reliable IT services has never been more apparent as during the current Coronavirus crisis and the early days in particular. This not only serves as testament to the quality of service, but also the quality and dedication of Strata's staff.

The crisis has also highlighted the benefits of harnessing and embracing new technologies to enhance operations and potentially replace altogether some methods of working. The new Project Management process has now been adopted by Strata and the Partners will help with the effective delivery of any transformational changes identified by the Partners.

The potential for cautious steps towards a moderate degree of commercialisation is now formally recognised and the independent report commissioned by Strata provides a valuable appraisal. Although the ongoing and short term impacts of Coronavirus will delay any pilot exercise, opportunities remain.

Strata's new Business Plan has all but formally adopted by the Partners and this provides excellent and measurable detail as to how it will continually improve the services it offers the Partners and act as an effective enabler for transformational change. DAP consider the Business Plan to be of a high standard and this, along with the high standard operational reporting and metrics, provides the measures from which continual service improvement can be delivered.

Strata continue to perform strongly during 2019/20 and again exceeded the financial benefit targets set by the Partners. The implementation of the new IT Service Management ITSM solution (Alemba vFire) will provide further opportunities to improve value for money. Work will be performed within 2020/21 to assess both the effectiveness and opportunities of the new solution, including the all-important capture of customer feedback.

Like Project Management, Cyber Security is discussed in detail within the individual report document. However, the analysis of cyber controls provides some further assurance that certain key IT operations are being performed to a satisfactory standard and in accord with best practice. Work continues to improve the overall security environment as cyber threats continue to increase and evolve. DAP will continue to review cyber controls using the Government advocated Cyber Essentials scheme using the original technical approach that prescribes controls in detail.

*"The demands on Strata have been immense". Your support for the significant ICT and telephony challenges you have faced, and overcome, has enabled the majority of our workforce to work from home."*

*Karime Hassan  
Chief Executive & Growth Director, Exeter City Council*

## **4 Issues for the Annual Governance Statement**

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The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement.

There are no issues arising that require reporting within the AGS or UoR

## **5 Inherent Limitations**

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The opinions and recommendations contained within this report are based on our examination of restricted samples of transactions / records and our discussions with officers responsible for the processes reviewed.

## **6 Acknowledgements**

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We would like to express our thanks and appreciation to all those who provided support and assistance during the course of this audit.

**Robert Hutchins  
Head of Partnership**

## **Confidentiality under the National Protective Marking Scheme**

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<b>Marking</b>	<b>Definitions</b>
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Secret	Very sensitive information that justifies heightened protective measures to defend against determined and highly capable threat actors. For example, where compromise could seriously damage military capabilities, international relations or the investigation of serious organised crime.
Top Secret	The most sensitive information requiring the highest levels of protection from the most serious threats. For example, where compromise could cause widespread loss of life or else threaten the security or economic wellbeing of the country or friendly nations.

## **Devon Audit Partnership**

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The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

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## **Confidentiality and Disclosure Clause**

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This report is protectively marked in accordance with the National Protective Marking Scheme. Its contents are confidential and, whilst it is accepted that issues raised may well need to be discussed with other officers within the organisation, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.

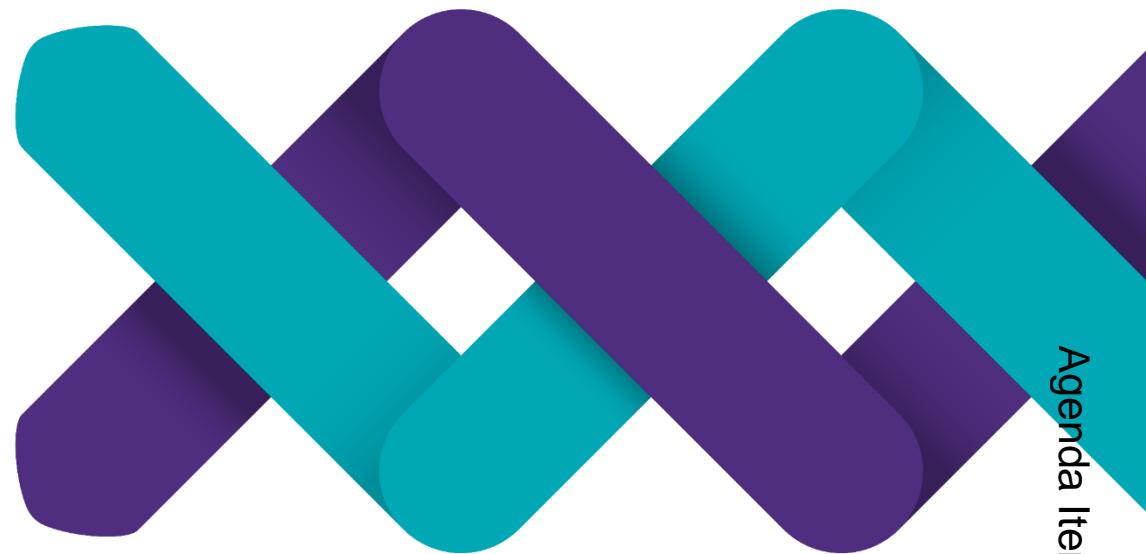
This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

# Audit Progress Report and Sector Update

East Devon District Council  
Year ending 31 March 2020

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14 January 2021



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# Introduction



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**This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.**

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

Members of the Audit and Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications [www.grantthornton.co.uk](http://www.grantthornton.co.uk).

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

# Progress at 14 January 2021

## Financial Statements Audit

At the last Audit Committee meeting on 25 November we reported the following position:

Our work in the following areas remains in progress:

- response to follow up actions undertaken on our 2018/19 IT general controls report;
- confirmation of the savings programme out-turn;
- management's cashflow forecast to December 2022;
- response to our queries on the valuation of Council Dwellings and evaluation of the approach adopted and adjustments posted;
- review of the revaluation of the Council's investment property;
- testing of the Council's grants received in advance;
- completion of our audit procedures on the Council's net defined pension liability, including receipt of assurances from the Devon Pension Fund auditor;
- receipt of our final bank confirmation and subsequent testing of the Council's cash and cash equivalents;
- sample testing of Housing Benefit expenditure;
- sample testing of REFCUS;
- finalisation of our review of the Council's Expenditure and Funding Analysis note;
- review of the final Annual Governance Statement;
- final quality reviews of the file and receipt of satisfactory responses to our outstanding queries;
- receipt of the signed management representation letter (on the agenda); and
- review of the final set of financial statements.

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

Our anticipated audit report opinion will be unqualified but with an Emphasis of Matter paragraph in relation to material uncertainties with regards to the valuation of land and buildings and investment properties – refer to page 8 for further detail. As explained on page 8, this is a national issue related to the Covid-19 pandemic and the Council followed national guidance from RICS in its valuations.

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## Outstanding at 14 January 2021

Currently the Council's officers are still resolving some issues, which has meant that the audit remains unfinished.

Our work in the following areas remains in progress:

- response to follow up actions undertaken on our 2018/19 IT general controls report;
- confirmation of the savings programme out-turn;
- Bank overdraft presentation to be checked;
- management's cashflow forecast to March 2023;
- response to our queries on the valuation of Council Dwellings and evaluation of the approach adopted and adjustments posted;
- Consideration of the financial reporting treatment of the Council dwellings valuation and the treatment of the adjustment relating to Council dwelling additions.
- The disclosure of one asset relating to the improvements made to Queens Drive
- review of the final Annual Governance Statement;
- receipt of the signed management representation letter (on the agenda); and
- review of the final set of financial statements.

An updated version of the draft financial statements will be required and a full check on the amendments will be required to ensure that all disclosures have been subjected to appropriate audit procedures.

# Progress at 14 January 2021(Cont.)

## Other areas

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DwP). The deadline for certification is 31 January 2021.

The certification work for the 2019/20 claim has commenced, and we plan to be able to complete our work by the revised deadline of 31 January 2021. However, in the event that any errors found results in the need for additional testing, the Council has applied for a deferment of the submission date.

We also certify the Council's annual Pooling of Housing Capital Receipts return (Pooling return) in accordance with procedures agreed with the Ministry of Housing, Communities & Local Government. (MHCLG). The deadline for certification is 31 January 2021.

Work commenced on the Pooling return in January 2021. We anticipate that the audit of this return will be completed by the deadline.

We will report our findings to the Audit and Governance Committee following the completion of the work.

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Report to: Audit and Governance Committee

Date of Meeting 28 January 2021

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



## **Full Risk Review November / December 2020**

### **Report summary:**

Risk information for the 2020/21 financial year is supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during November / December 2020.

### **Recommendation:**

That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in November / December 2020.

### **Reason for recommendation:**

To ensure that the Risk Management Policy and Guidance is being followed and all risks are being monitored and control actions implemented.

Officer: Simon Davey, Strategic Lead - Finance [sdavey@eastdevon.gov.uk](mailto:sdavey@eastdevon.gov.uk) ext 2690  
 Joanne Avery, Management Information Officer [javery@eastdevon.gov.uk](mailto:javery@eastdevon.gov.uk) ext 2332

### Portfolio(s) (check which apply):

- Climate Action
- Coast, Country and Environment
- Corporate Services and COVID-19 Response and Recovery
- Democracy and Transparency
- Economy and Assets
- Finance
- Policy Co-ordination and Regional Engagement
- Strategic Planning
- Sustainable Homes and Communities

### **Financial implications:**

No direct financial implications

### **Legal implications:**

There are no direct legal implications

### **Equalities impact** Low Impact

## **Climate change Low Impact**

**Risk:** High Risk; Failure to identify, assess, monitor, review and manage risks could impact negatively (i.e. financial, reputational, operationally) on the council.

### **Links to background information**

[Appendix A – Full list of Operational Risks November / December 2020](#)

[Appendix B – Strategic Risks November / December 2020](#)

[Appendix C – Explanations and definitions](#)

### **Link to Council Plan:**

Priorities (check which apply)

- Outstanding Place and Environment
  - Outstanding Homes and Communities
  - Outstanding Economic Growth, Productivity, and Prosperity
  - Outstanding Council and Council Services
- 

### **Report in full**

1. As part of our corporate governance it is appropriate that we maintain and manage a risk register. The risk register allows us to highlight any risks to our organisation and set out how we are going to mitigate against their impact and likelihood.
2. Our risk management policy requires all risks identified by the council to be reviewed bi-annually. Through the month of November the risk owners were tasked with reviewing their risks in the SPAR system. The complete operational risk register is provided for the Committee to review at [Appendix A](#). This is listed by service area and includes all of the control actions. There are now 94 operational risks, all of which have been reviewed and re-scored in light of all mitigating actions being undertaken and in relation to the on-going pandemic. All services were asked to highlight any new and emerging risks with no new risks being put forward at this review
3. The implications of Covid-19 has been reflected at individual risk level and updates where appropriate can be found in the comments section of each risk.
4. In the operational risk register there are two risks currently scored as high.
  - **Failure of LED Leisure through budget, legal, or reputational issues**  
LED income and activities have been severely impacted by the Covid-19 pandemic and the associated lockdowns/restrictions. LED have been reliant on the Council increasing its subsidy to remain viable and the Council will be seeking to recover its costs through government support for the leisure industry. New monitoring and liaison arrangements have been agreed going forward to focus on leisure needs and affordability.
  - **Ambitions for economic growth on the Council Plan are not met**  
Paper brought to Cabinet regarding economic response and recovery. This highlighted the impacts from the Covid-19 pandemic on the economy of the District. In particular this highlighted the differential impacts on particular age/income groups, places and business sectors. Further reports will be forthcoming setting out the resources that can be marshalled to support recovery in line with the Team Devon approach.
5. The tables below set out the number of risks in each service by score.

Finance	High	Medium	Low
Risks by score		4	8

Economy	High	Medium	Low
Risks by score	1	8	6

Housing	High	Medium	Low
Risks by score		14	6

Environment	High	Medium	Low
Risks by score	1	9	3

Governance & Licensing	High	Medium	Low
Risks by score		8	6

Organisational Development	High	Medium	Low
Risks by score		2	8

One of the operational risks has been removed from the operational risk register as the project is now closed.

- **Delivery of the Greater Exeter Strategic Plan with the published timescales** - East Devon District Council are no longer part of the GESP and so this risk will be archived.

6. As part of this review our strategic risks have also been reviewed by their owners and are now submitted for Committee's consideration.

There are 10 risks on the strategic register, more details for each risk can be seen in [Appendix B](#).

#### List of strategic risks

- Adequacy of financial resource planning to deliver the Council's priorities
- Delivery of Growth Point
- Adequate emergency planning and business continuity
- Failure to adequately protect staff health and safety at work
- Failure to ensure the Council's sustainability
- Increased homelessness
- Failure to ensure that our corporate property portfolio is fully compliant with legal requirements.
- Major disruption in continuity of computer and telecommunications services
- With the on-going Brexit negotiations and the uncertainties around our deal to leave the EU there implications for us to deal with
- Retaining and strengthen a collective approach to decision making to ensure we avoid poor decision making effecting our performance and our reputation

Strategic Risks	High	Medium	Low
Risks by score	0	10	0

7. An explanation and definitions of these risks including the risk matrix can be found in [Appendix C](#).

## Audit and Governance Committee 28 January 2021

### **Audit and Governance Committee**

#### **Forward Plan 2020/21**

Date of Committee	Report	Lead Officer
18 March 2021	<ul style="list-style-type: none"> <li>• Statement of Accounts 2019/20 including Annual Governance Statement</li> <li>• Letter of representation</li>   <li>• Annual Audit Plan 2021/22 and Review of Internal Audit Charter</li> <li>• Internal Audit Plan Progress</li> <li>• External Audit Plan</li> <li>• Audit Committee update</li> <li>• Annual audit letter</li>   <li>• Accounting Policies Approval</li>   <li>• DBS Checks for Councillors - update from LGA</li>   <li>• Review of the Anti-Fraud Theft and Corruption Policy</li> <li>• Review of the Anti-Bribery Policy</li> <li>• Review of the Whistleblowing Policy</li> <li>• Review of the Local Code of Corporate Governance</li>   <li>• RIPA update and policy review</li> </ul>	Strategic Lead – Finance  SWAP SWAP Grant Thornton Grant Thornton Grant Thornton  Financial Services Manager  Monitoring Officer  Strategic Lead – Governance & Licensing  Strategic Lead – Governance & Licensing