

Agenda for Audit and Governance Committee Thursday, 27th July, 2023, 2.30 pm

Members of Audit and Governance Committee

Councillors: K Bloxham, C Burhop (Vice-Chair), C Fitzgerald,
S Gazzard, M Goodman, D Haggerty, S Hawkins (Chair),
Y Levine, C Nicholas and T Olive

Venue: Axe and Tale Room, Blackdown House

Contact: Amanda Coombes;

01395 517543; email acoombes@eastdevon.gov.uk

(or group number 01395 517546)

Wednesday, 19 July 2023



East Devon District Council
Blackdown House
Border Road
Heathpark Industrial Estate
Honiton
EX14 1EJ

DX 48808 HONITON

Tel: 01404 515616

www.eastdevon.gov.uk

1 Public speaking

Information on [public speaking](#) is available online

2 Minutes of the previous meeting (Pages 3 - 6)

Minutes for 23 March 2023

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 Internal Audit Progress report - SWAP (Pages 7 - 20)

8 Housing - Property & Asset Compliance Position Statement (Pages 21 - 26)

9 Internal Audit Annual Opinion Report 2022/23 - SWAP (Pages 27 - 42)

- 10 **Revenue and Capital Outturn Report 2022-2023** (Pages 43 - 44)
- 11 **South West Mutual Regional Bank** (Pages 45 - 47)
- 12 **Risk Management Review** (Pages 48 - 50)
- 13 **Request from Council - Review of record keeping** (Pages 51 - 52)
- 14 **Audit and Governance Forward Plan** (Pages 53 - 54)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House, Honiton on 23 March 2023

Attendance list at end of document

The meeting started at 2.30 pm and ended at 3.28 pm

27 Public speaking

Cllr Peter Faithfull asked that the situation with South West Mutual Bank was looked into to see if there were any investment opportunities for the council. The Director Finance agreed to present a status report on this matter to the Committee later on in the year.

28 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 17 November 2022 were confirmed as a true record.

29 Declarations on interest

Min 27. Public speaking.
Councillor Peter Faithfull, Affects Non-registerable Interest, Member of South West Mutual.

30 Matters of urgency

None

31 Confidential/exempt item(s)

None

32 Internal Audit Plan Progress March 2023 (2022/23)

Alastair Woodland, Assistant Director, SWAP provided an update on the 2022/23 Internal Audit Plan as at end of March 2023.

RESOLVED:

That the progress made in delivery of the 2022/23 internal audit plan and findings be noted.

33 Internal Audit Plan and Charter 2023/24

Alastair Woodland highlighted that the Internal Audit function played a central role in corporate governance by providing assurance to the Annual Audit, Governance and Standards Committee, looking over financial controls and checking on the probity of the organisation.

The 2023-24 Annual Audit Plan provided independent and objective assurance on EDDC governance, risk and internal control environment. The work supported the Annual Governance Statement.

RESOLVED:

That the Internal Audit Plan for 2023/24 and Internal Audit Charter be approved.

34 **Audit Findings Report - Grant Thornton**

Jackson Murray and Beth Garner from Grant Thornton presented the observations arising from the audit that were significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260.

RESOLVED:

That the Audit Findings report be noted.

35 **Risk Review Autumn/Winter 2022-23**

Risk information for the 2022/23 financial year was supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This followed the full review of risks by responsible officers during December and January.

Cllr Lawrence expressed his concern for the high risk of 'Failure to satisfy a compliance requirement'. It was agreed a separate report for an update on this matter would be brought back to the Committee.

RESOLVED:

That the current status of risks following the full risk review undertaken in December and January be noted.

36 **Accounting Policies Approval**

The Finance Manager presented his report stating it was good practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted in advance of the preparation of the accounts. At this stage there are no changes for 2022/23 identified.

RESOLVED:

That the Accounting Policies for the 2022/23 Statement of Accounts be approved.

37 **Section 106 and CIL Update**

The Assistant Director Strategic Planning and Development Management advised members on the current position with regard to Section 106 and CIL collection and spend issues. The report followed discussion at a recent Scrutiny Committee meeting and the joint Scrutiny and Overview Committee to consider service plans where concerns were highlighted with current resourcing.

The Committee thanked Ed Freeman for keeping on top of this issue especially under the present staff resourcing situation.

RESOLVED:

That the current position in terms of S106 and CIL processes and the proposed actions to address current issues highlighted in the report which include:

- a review of staffing for S106 and CIL monitoring and collection work including the role of the S106 Monitoring Officer;
- a review of the current resourcing issues with spend and delivery of S106 funded projects and how these can be unlocked; and
- a review of the information presented through the Exacom Public Facing module to ensure that it is clear and easy to understand, be noted.

38 **RIPA update**

The RIPA Senior Responsible Officer advised that there had been no requests for RIPA authorisation since the last committee.

39 **Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2023/24.

Items to be considered at the July 2023 committee included:

- Internal Audit Plan 2022-23 Outturn
- Internal Audit Annual Audit Opinion 2022-23
- Auditor's Annual Report 2021-22
- Statement of Accounts
- Risk Management Review
- Revenue and Capital Outturn Report 2022-2023

Attendance List

Councillors present:

S Hawkins (Chair)
J Bonetta
R Lawrence

Councillors also present (for some or all the meeting)

P Faithfull

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Simon Davey, Director of Finance
Ed Freeman, Assistant Director Planning Strategy and Development Management
Beth AC Garner
Jackson Murray
John Symes, Finance Manager
Anita Williams, Interim Director of Governance and Licensing and Monitoring Officer
Alastair Woodland, SWAP

Councillor apologies:

D Barrow
C Brown
S Gazzard
P Twiss
J Whibley
T Woodward

Chair

Date:



Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan Outturn Report July 2023 (2022/23)

Report summary:

This report is to provide an update on the 2022/23 Internal Audit Plan as at end of June 2023.

Recommendation:

Members are asked to note progress made in delivery of the 2022/23 internal audit plan and findings Reported.

Reason for recommendation:

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

Officer: Lisa Fryer, Assistant Director, SWAP.

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☒ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

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

[Internal Audit Plan and Charter March 2022](#)

[Internal Audit Progress Report November 2022](#)

Internal Audit Progress Report January 2023 (circulated to members)

[Internal Audit Progress Report March 2022](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

East Devon District Council

Report of Internal Audit Activity

Outturn Update 2022/23 July 2023

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The contacts at SWAP in connection with this report are:

David Hill

Chief Executive

Tel: 020 8142 5030

David.hill@swapaudit.co.uk

Lisa Fryer

Assistant Director

Tel: 07720 312465

Lisa.fryer@swapaudit.co.uk

Jenny Frowde

Principal Auditor

Jenny.frowde@swapaudit.co.uk



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Internal Audit Plan Outturn 2022-23

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 SWAP Internal Audit Services (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 March 2022 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 Audit Plan. We have adopted an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every 6 months with a rolling 'back-log' for future consideration. Priorities will be assessed in conjunction with Senior Management, and we welcome input from members of the Audit and Governance Committee. The 2022-23 Audit Plan was reported to the Audit and Governance Committee and approved at its meeting in March 2022. Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, risk and control within East Devon District Council.



Plan Performance

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 C** contains a list of all audits in the rolling plan for 2022-23 as presented to this Committee in March 2022. It is important that Members are aware of the status of all audits being delivered 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 since the March 2023 update:

Audit Area	Opinion
Climate Change	Reasonable
Housing Compliance – Asbestos	Limited
Recommendation Tracking	Advisory (On-going)
Revenues & Benefit Fraud Support	Advisory (On-going)
Housing Invoice Payment Process Follow Up	Advisory

Note we report by exception on ‘Limited’ and ‘No Assurance’ audit opinions and follow up audits. A summary of the Housing Compliance – Asbestos audit report is provided in **Appendix B** together with the outcome of the Housing Invoice Payment Process follow up audit. Full copies of each ‘Limited/No Assurance’ opinion report and follow up reports will be uploaded to the Audit Committee document library for members to read at their discretion.



Plan Performance

Significant Corporate Risks

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

We keep our audit plans under regular review so as to ensure that we are auditing the right things at the right time. Audit Plans are undertaken on a rolling quarterly basis.



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.



Approved Changes to the Plan

We will regularly re-visit and adjust our rolling programme of audit work to ensure that it matches the changing risk profile of the organisation's operations, systems, and controls. Details of our current work for 2022-23 are provided in **Appendix C Table 1**.

Our rolling plans are agreed with the Senior Leadership Team quarterly from the list of unscheduled audit areas that constitutes the rolling Audit Plan. Members of the Audit Committee are welcome to identify area where they need assurance for priority work to assist in their role with oversight of governance, risk and control.

The following table highlights changes to the plan since the previous update In March 2022.

Assignment	Change	Reason
No Changes to the 2022-23 Audit Plan since the March Committee update		



Plan Performance

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



SWAP Performance

SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective performance position for East Devon District Council for quarters 1 to 4 as at the end of June were as follows:

Performance	Target Year End	Q1 (Apr – Jun)	Q2 (Jul – Sep)	Q3 (Oct – Dec)	Q4 (Jan – Mar)
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress Not Started	>90%	100% 0% 0%	100% 0% 0%	50% 50% 0%	75% 25% 0%
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	>95%	98.7			
<u>Outcomes from Audit Work</u> 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%	96.7			

*Note, performance statistics do not include 'on-going' activity. See Appendix C status field for on-going activity.



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.

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.

This summary is provided so you are aware of the key governance, risk and control issues identified in recent audit work.

EDDC Housing Compliance - Asbestos Management – Final Report – March 2023



Audit Objective To provide assurance that all Council owned properties* are safe and compliant with asbestos policy and legislation.

* Housing Revenue Account (HRA) properties only

Assurance Opinion



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

Number of Actions

Priority	Number
Priority 1	0
Priority 2	3
Priority 3	2
Total	5

Risks Reviewed

Council owned properties* are unsafe and non-compliant with asbestos legislation resulting in tenants' lives being put at risk, the council being exposed to legal recourse, fines and reputational damage.

Medium

Key Findings

	Data quality is not always consistent, with some key fields left blank on the Asbestos Register, including dates and risk categories. In addition, the dates used in Open Housing do not agree with the actual date of the survey on the Asbestos Register. It is therefore difficult to rely on the integrity of the data on each property.
	The data used to produce Key Performance Indicators (KPIs) is in some cases inaccurate or incomplete which could result in the reporting of inaccurate figures to the Housing Review Board.
	The asbestos policy does not contain sections on KPI's, management and monitoring arrangements for asbestos management or contractor compliance.
	The Council are monitoring the annual inspections of communal properties; however, they are not currently compliant with their target and we are unable to provide assurance that the data is accurate.
	A Refurbishment/Demolition Asbestos Survey is completed before any major works are carried out and this is compliant with legislation.

Audit Scope

Our audit included a review of the following controls for HRA properties:

- Officers involved in the surveying, handling and management of asbestos are qualified.
- There is an approved Asbestos Policy and Procedures Plan in operation which is accessible to all relevant personnel.
- The Asbestos Register is complete and accurate.
- Asbestos surveys are scheduled to ensure completion inside of the required timescale.
- There is an Asbestos Survey Report for each property; Repairs and Maintenance have been risk assessed; The quality of the Asbestos Surveyors is periodically assessed.
- Management Reports and Monitoring.
- Tenants are aware of who to contact and how in the advent of concerns about asbestos.

Other Relevant Information

The council have recently changed their asbestos contracting surveyor to Gully Howard (GH). As such, there are still some teething issues with the contract to be reviewed, including how KPIs are captured, performance monitoring and GH's weekly report format currently being incompatible with the council's system.



Where a 'Limited' or 'No Assurance' opinion has been given, we will follow up on the recommendations made to provide assurance to the Audit Committee that remedial action has been taken and that it has addressed the governance, risk and control issues identified.

Housing Invoice Payment Process Follow Up – Final Report – April 2023



Follow Up Audit Objective

To provide assurance that agreed actions to mitigate against risk exposure identified within the 2021/22 Limited opinion audit of the Housing Invoice Payment Process have been implemented.

Follow Up Progress Summary

Priority	Complete	In Progress	Not Started	Summary
Priority 1	1	0	0	1
Priority 2	1	0	0	1
Priority 3	1	1	0	2
Total	3	1	0	4

Follow Up Assessment

The original audit of Housing Invoice Payment Process was completed in April 2022 and received a Limited assurance opinion. The objective of the original audit was to confirm that the Key Controls around ordering and invoicing within Housing Services were operating effectively. This particularly related to the processing of housing contractor invoices.

Key findings from the audit follow up have been summarised below.

Key Findings



Whilst a report has been created of invoices where the job/order has been raised retrospectively. No evidence was provided of the agreed action for having been completed.



Regular reconciliations are now carried out between the invoices received and the finance system. The level of non-transferred invoices has significantly reduced since the original audit. Processes have been introduced to ensure that invoices are paid within 30 days. This will enhance further upon the implementation of the One Housing and One Assets systems, which is currently in progress.



The Corporate Finance Team have been provided with access to the property folders and are now able to access the scanned invoices.

Further Information

Testing has been performed in relation to all priority 1 and 2 actions and supporting evidence obtained to support implementation of actions. Follow-up of the priority 3 actions is based on self-assessment by the responsible manager.

Whilst one of the findings is not yet complete, good progress has been made in other areas. Automatic reporting of invoices due for authorisation and invoices where the job has been raised retrospectively have been introduced as a mechanism to ensure all invoices are processed promptly.

Reference Appendix A for details of all actions. Details of any further follow up required.

One page Follow Up Summary

Appendix B

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
COMPLETE									
Assurance	Homelessness	1	Complete	Reasonable	5	-	3	2	
Follow Up	Annual Vehicle Declarations and Compliance	1	Complete	Follow Up	1	-	1	-	
Grant Certification	Protect and Vaccinate – CIA Sign off	1	Complete	Advisory	-	-	-	-	
Assurance	Housing Rents	1	Complete	Reasonable	2	-	1	1	
Assurance	Disability Facility Grants and Better Care	1	Complete	Limited	10	-	5	5	Reported to Audit Committee November 2022.
Assurance	Restart Grants	1	Complete	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk	1	Complete	Advisory	-	-	-	-	Reported to Audit Committee November 2022.
Grant Certification	NEW: Covid Outbreak Management Fund (COMF)	2	Complete	Advisory	-	-	-	-	
Assurance	Main Accounting	2	Complete	Reasonable	7	-	2	5	
Assurance	Debtors	2	Complete	Reasonable	6	-	4	2	
Follow Up	Small Works and Services Contract Management	2	Complete	Follow Up	4	1	2	1	

Summary of Work Plan

Appendix C

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Economic Resilience	2	Complete	Reasonable	2	-	-	2	
Assurance	Climate Change	2	Complete	Reasonable	4	0	4	0	
Assurance	Worksmart+ Strategy	3	Complete	Reasonable	5	-	1	4	
Advisory	Revenues & Benefit Fraud Support	3-4	Complete	Advisory (On-going)	-	-	-	-	
Assurance	Housing Compliance – Asbestos	4	Complete	Limited	5	0	3	2	See Appendix B
Advisory	Recommendation Tracking	2-4	Complete	Advisory (On-going)	-	-	-	-	
Follow Up	Housing Invoice Payment Process Follow Up	4	Complete	Advisory	1	0	0	1	See Appendix B
DRAFT									
Assurance	New: HR Review (Out of Hours)	4	Review						
IN PROGRESS									
Assurance	Cyber Security	3-4	Initiation						Scope expanded following Audit Committee meeting Nov 2022.
Assurance	Cranbrook Town Development Project Governance	4	In Progress						



Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
REMOVED FROM PLAN									
Assurance	Firmstep	4							Audit has been deferred as the manager has informed us that the project has been on hiatus and requires a reset. Audit included in 2023-24 Plan.
Advisory	Value For Money	4							External audit are completing a separate piece of work in this area. Area under review for 2023-24
Assurance	GDPR Data Protection	4							Changes in responsible officer. Audit included in 2023-24 Q1.



Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Housing – Property and Asset Compliance Position Statement

Report summary:

An assurance report was requested at the previous Audit & Governance Committee Meeting on 23rd March 2023, this report is to provide assurance to the Committee on our position with Compliance for the Council Housing Stock which is managed by the Property & Asset team.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

For the committee to note the current position with Compliance for the Council's Housing Stock

Reason for recommendation:

To note compliance

Officer: Michelle Davidson – Compliance & Cyclical Servicing Manager

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☐ Finance
- ☐ Strategic Planning
- ☒ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☐ A greener East Devon
 - ☐ A resilient economy
-

Report in full

1. East Devon District Council currently has a housing stock of 4176 properties, which are managed by Housing's Property & Asset team. The properties are a mixture of sheltered & general needs across the East Devon District.
2. The Compliance & Cyclical Servicing team are responsible for ensuring the Council's Housing stock is compliant with statutory legislation & ensuring we deliver better homes & communities for all.
3. Following a restructure & the increase in demands in relation to statutory compliance & cyclical servicing The Housing Review Board in 2021 approved four new positions into the Compliance team to enable the efficient delivery of compliance & cyclical service work streams across our Housing stock. These four posts were approved & recruitment into these posts were filled in Spring 2023 following a recruitment campaign.
4. The Compliance & Cyclical Servicing team currently consists of –
 - Compliance & Cyclical Servicing Manager
 - Compliance Surveyor (Heating)
 - Compliance Surveyor (Asbestos & Radon) – Vacant
 - Compliance Surveyor (Services)
 - Compliance Surveyor (Building Safety)
 - Compliance & Asset Management Technician
 - Compliance Administrator
5. The Council has appointed a number of contractors to carry out compliance & servicing works on our behalf. Each contract is effectively managed by the team to ensure compliance.
6. We have reviewed our approach to monitoring compliance & to ensure a high level of Governance we have implemented a newly defined compliance dashboard. The dashboard is presented to leadership & The Housing Review Board who have full oversight.

Asbestos

7. To comply with The Control of Asbestos Regulations 2015 the Council has to undertake yearly inspections of all its communal areas which comprise of, blocks of flats, district offices & community centres. There are 143 communal areas which are inspected yearly by our appointed asbestos surveying company Gully Howard & we are fully compliant with all the necessary inspections. Gully Howard also carry out asbestos surveys on our housing stock.
8. In a recent audit undertaken by SWAP, there were a number of actions raised with regards to the quality of data held with our Housing Systems. Following a data cleanse, these issues have now been addressed & our records updated accordingly. We are working to address the other priorities within the audit report & are on target to complete these within the defined timescales.

Electrical Testing

9. On review of electrical testing, the five-year periodic testing regime had not been re-procured in a timely manner & there is currently a root cause analysis being carried out by the Assistant Director of Housing to investigate the failings & to ensure measures are in place to provide greater assurance going forward. This has unfortunately led to a delay in the re-testing of our stock. A contract with our previous contractor The Dodd Group, was quickly re-procured & testing has now recommenced on site with a recovery programme in place to ensure full compliance with five-year periodic testing by the end of September 2023 (albeit no access issues).
10. Following a thorough review of the electrical testing, a volume of repairs were identified & these have been issued to another contractor to undertake the work to ensure The Dodd Group are able to focus on the testing programme. These repairs are due to be completed by December 2023.
11. Compliance with our communal areas will be achieved by end of July 2023 with any remedials completed no later than end of August 2023.

Fire

12. In compliance with the Regulatory Reform (Fire Safety) Order 2005 & The Fire Safety Act 2021 we undertake Fire Risk Assessments across all of our stock that require them. Our contractor FCS Live carry out these assessments on our behalf. We have all the necessary assessments in place however we annually review/renew our assessments & as such have commenced a new programme of fire risk assessments across the stock. Naturally items are highlighted in the assessment & these are addressed by our Compliance Surveyor – Building Safety along with assistance from Housing Repairs or the Planned Works team.
13. The Compliance team have a good working relationship with Devon & Somerset Fire & Rescue who regularly review our buildings & compliance.
14. Following the Grenfell Tower Inquiry the Government introduced the Fire Safety (England) Regulations 2022 which came into force in Spring 2023. These regulations stipulate that any buildings above 11m should have quarterly checks of the fire doors in common parts & the flat entrance doors checked annually. We have one building which is deemed in scope & we are fully compliant with these checks.
15. We recognise the importance of the role fire doors play in stopping the spread of fire & have rolled the programme of fire door checks (flat front entrance fire doors & communal doors) across all our stock. Our contractor DR Jones are an accredited BM Trada inspector/installer.

Gas

16. Liberty Gas carry out our gas servicing on our behalf across our stock & we are fully compliant with all Landlords Gas Safety Checks in line with The Gas Safety (Installation & Use) Regulations 1998. As part of the service Liberty Gas test the smoke & carbon monoxide alarms within the properties & if required, replace where necessary.

Lifts

17. We have seven passenger lifts within our ownership & these are tested in accordance with the Lifting Operations & Lifting Equipment Regulations 1998 (LOLER). These are fully compliant.

Legionella

18. There are 21 high-risk buildings whereby we carrying out weekly flushing, monthly testing & have Legionella Risk Assessments for. These are all compliant in line with the Health & Safety Executives Approved Code of Practice L8 & HSG274.
19. Overall, the increased monitoring of compliance will ensure that our contractors are adhering to statutory testing/servicing regimes. With the higher level monitoring of the electrical recovery plan this will ensure the Council regains full compliance with this area in the time frame set out in this report.

Financial implications:

There are no additional funding requests arising from this report. The works outlined in the report are budgeted for within the Housing Revenue Account.

Legal implications:

The Council is required to comply with its legal obligations in relation to tenant health and safety. Oversight of these key performance indicators enables the Committee to oversee and evaluate the Council's compliance with those statutory requirements.

COMPLIANCE KPIs, 04 JULY 2023								
Compliance Area	PI Code	Performance Indicator	Risk	Target Number	Number Compliant	Total Overdue		Management Comment
Asbestos	BS03	Number of blocks & communal areas with a valid asbestos inspection (Yearly)		143	143	0	●	We have 143 communal areas that require an asbestos inspection annually.
Electrical Systems (contracted maintenance)	ET01(a)	Number of properties with a valid electrical inspection certificate (EICR - 5 yearly)		4176	3509	667	●	We have 4,176 properties that require a 5 yearly electrical inspection; we have completed 3509 & 667 are outside the 5 year period.
	ET01(b)	Category 1 & Category 2 actions arising from an unsatisfactory EICR (residential dwellings)	C1 (point of test)	31	31 (5%)	0	●	We had 31 Category 1 actions and all of these have been completed at the point of testing.
			C2 (urgent)		(5%)	2078 -	●	Following a thorough data validation we currently have a backlog of repairs from Covid & no accesses. We engaged an external consultant to review all the EICR's for Years 4 & 5 & are about to embark on a contract to clear these with the completion date for all outstanding repairs by December 2023. Weekly monitoring has been set up by the Compliance & Cyclical Servicing Manager & the Assistant Director for Housing. The Dodd Group have commenced testing & as such the number of C2's outstanding will reduce.
	ET02(a)	Number of distribution boards in communal areas with a valid electrical inspection certificate (EICR - 5 Yearly)		160	157	3	●	We have 160 communal areas requiring inspection and have completed 157 with 3 outstanding and overdue. These are due to be completed by 31st July 2023.
	ET02(b)	Category 1 & Category 2 actions arising from an unsatisfactory EICR (communal areas)	C1 (point of test)	0	0	0	●	We had zero Category 1 actions.
			C2 (urgent)			49	●	The outstanding repairs have been issued to our term contractor to complete these are ordered and are in hand.

Fire Risk Assessment	BS02(a)	Number of blocks & communal areas with a valid fire risk assessment (Yearly)		143	143	0	●	All Fire risk assessments are in place for all communal areas, community centres & district offices. We have just commissioned a new round of Fire Risk Assessments.
	BS02(b)	Actions arising from fire risk assessments	High	6	6	0	●	We have no outstanding high risk items
			Medium	716	418	298	●	New round of fire risk assessments has commenced & scheduled to complete by 30th September 2023 Issues relating to doors will be identified as part of our fire door inspection regime, findings assessed & remedial/replacement works will be delivered either via the fire door inspection programme or through a planned works upgrade programme. One planned works project is currently on site & due to complete by end of July 2023 which will address a number of the issues & further planned works to capture the remaining actions/works will be implemented. We work closely with Devon & Somerset Fire & Rescue Service & who have reviewed our position & have verified & agreed our approach to address the issues identified.
			Low (Recommendations)	438	252	186	●	The recommendations primarily relate to doors which are being addressed as part of our overarching fire door inspection: signage is currently being addressed by the provision of new updated signs: items defined as recommendations are being addressed by future upgrade programme works in line with timescales discussed with Devon & Somerset Fire & Rescue.
Fire Protection Systems (contracted maintenance)	FP01	Number of domestic fire doors with a valid inspection		22	22	0	●	We have one in scope building which is generally 4 stories with a small section deemed as being 5 story - therefore in scope. There are 22 flat front entrance fire doors which have all been inspected. All flats have fire doorsets fitted that were compliant with legislation
	FP02	Number of communal fire doors with a valid inspection.		12	12	0	●	We have one in scope building which is generally 4 stories with a small section deemed as being 5 story - therefore in scope. We are within target
Gas Safety (contracted maintenance)	BS01	Number of homes that have a valid gas safety check (LGSR)		3134	3134	0	●	Within target
Lifting Equipment (contracted maintenance)	BS05	Number of blocks with a valid lift inspection certificate (LOLER)		7	7 (5%)	0	●	Within target
Smoke & Carbon Monoxide Alarm Regulations 2022	SM01	Number of properties with a co detector (in development)		3291	3291	0	●	We have 3291 properties which require a CO detector, all properties have adequate detection installed.
	SM02	Number of properties with a smoke detector (in development)		4176	4176	0	●	We have 4176 properties which require smoke detection, all properties conform to a minimum LD3 Standard.
Water Management (contracted maintenance)	BS04	Number of blocks & communal areas that have a valid legionella risk assessment		21	21	0	●	Within target

Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Internal Audit Annual Assurance Opinion (2022/23)

Report summary:

The Internal Audit function plays a central role in corporate governance by providing assurance to the Audit and Governance Committee, looking over financial controls and checking on the probity of the organisation.

The 2022-23 Annual Audit Plan provided independent and objective assurance on EDDC Internal Control Environment. This work supports the Annual Governance Statement.

Recommendation:

Members are asked to note the Internal Audit Annual Opinion on the effectiveness of governance, risk and control in the delivery of EDDC Objectives.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee note the Annual Opinion.

Officer: Lisa Fryer, Assistant Director, SWAP.

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☒ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

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

[Internal Audit Plan and Charter March 2022](#)

[Internal Audit Progress Report November 2022](#)

Internal Audit Progress Report January 2023 (circulated to members)

[Internal Audit Progress Report March 2022](#)

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

East Devon District Council

Internal Audit Annual Opinion Report 2022/23

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Internal Audit Annual Opinion – 2022/23: ‘At a Glance’

Annual Opinion



There is generally a 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.

- Medium risk rated weaknesses identified in individual audit engagements.
- Isolated high risk related weaknesses identified for isolated issues.
- No critical risk rated weaknesses identified.
- Internal Audit is broadly satisfied with management’s approach to resolving identified issues.

The Headlines



No Significant Risk identified in year after testing the controls in place.



21 reviews included in the 2022/23 Internal Audit Plan.

Includes assurance, advisory and follow up reviews (18 complete, 1 at draft 2 in progress).



Implementation of agreed actions from follow up work.

New recommendation tracking database up and running.



Monitoring of agreed management actions (based on 3 follow up audits completed in year 22-23)

There is room for improvement in this area. The new recommendation tracking dashboards should help management with their oversight of recommendations.

Priority	Agreed Actions	Implemented Actions	%
1	2	1	50%
2	7	4	57%
3	3	1	33%
Total	12	6	50%

Internal Audit Assurance Opinions

	21/22	22/23*
Substantial	1	0
Reasonable	6	8
Limited	4	2
No Assurance	0	0
Advisory	9	3
Certified	1	2
Follow Up	3	3
Total	24	18

Internal Audit Agreed Actions 2022-23

	21/22	22/23*
Priority 1	2	1
Priority 2	26	26
Priority 3	21	25
Total	49	52

*Final reports only

Executive Summary

Internal Audit provides an independent and objective opinion on the effectiveness of the Authority's risk management, control and governance processes.



Purpose

The Head of Internal Audit (SWAP Assistant Director) should provide a written annual report to those charged with governance to support the Authority's Annual Governance Statement (AGS). This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's governance, risk management and internal control environment, including an evaluation of the following:
 - the design, implementation and effectiveness of the organisation's ethics-related objectives, programmes and activities;
 - whether the information technology governance of the organisation supports the organisation's strategies and objectives;
 - the effectiveness of risk management processes; and
 - the potential for the occurrence of fraud and how the organisation manages fraud risk.
- Disclose any qualifications to that opinion, together with the reasons for the qualification.
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies.
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement.
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria.
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content and the Annual Internal Audit Opinion given.

Executive Summary

Three Lines Model

To ensure the effectiveness of an organisation's risk management framework, the Audit and Governance Committee and senior management need to be able to rely on adequate line functions – including monitoring and assurance functions – within the organisation.

The 'Three Lines' model is a way of explaining the relationship between these functions and as a guide to how responsibilities should be divided:

- the first line – functions that own and manage risk.
- the second line – functions that oversee or specialise in risk management, compliance.
- the third line – functions that provide independent assurance.

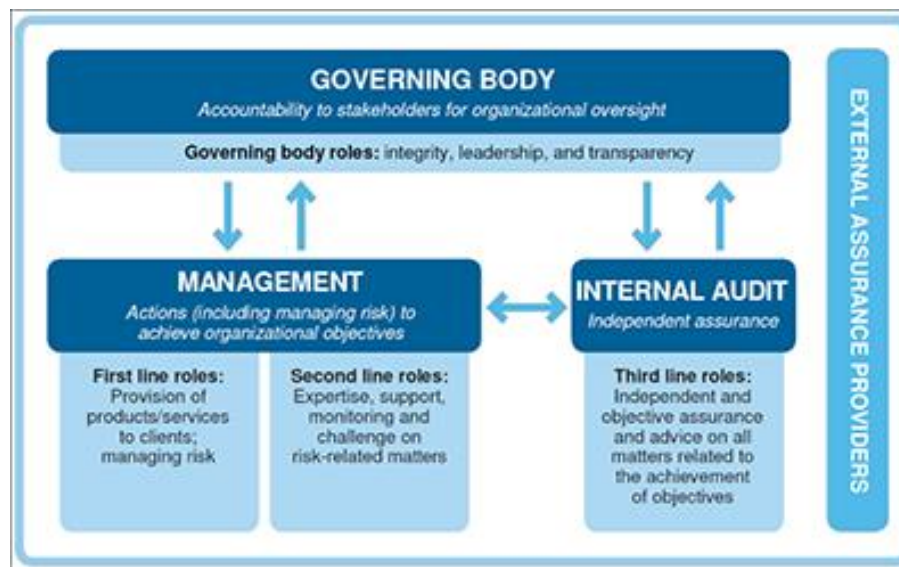


Background

The Internal Audit service for East Devon District Council is provided by SWAP Internal Audit Services. The team's work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note. The work of the team is guided by the Internal Audit Charter which is reviewed annually.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. This report summarises the activity of the Internal Audit team for the 2022/23 year.

The position of Internal Audit within an organisation's governance framework is best summarised in the Three Lines model shown below.



Internal Audit Annual Opinion 2022/23

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

On the balance of our 2022/23 audit work for East Devon District Council, I am able to offer a **Reasonable Assurance** opinion in respect of the areas reviewed during the year.

Internal Audit has not reviewed all risks and assurances relating to East Devon District Council during 2022/23 and cannot provide absolute assurance on the internal control environment. Senior management and members are ultimately responsible for ensuring an effective system of internal control. A summary of audit work carried out against the Council's strategic risk areas is provided in the next section on page 5. Audit coverage is considered adequate to provide an overall opinion.

The Annual Opinion is based on information obtained from multiple engagements and sources, the results of which, when viewed together, provide an understanding of the organisation's governance arrangements, risk management processes and internal control environment and facilitate an assessment of overall adequacy and effectiveness. Opinions are a balanced reflection across the year and not a snapshot in time. In forming this opinion, the following sources of information have been used:

- Completed audits which evaluate risk exposures relating to the organisation's governance, operations and information systems, reliability and integrity of information, efficiency and effectiveness of operations and programmes, safeguarding of assets and compliance with laws and regulations.
- Observations from consultancy/advisory support.
- Follow up of previous audit activity, including agreed actions.
- Grant certification work.
- Assurances from other providers, including third parties, regulator reports etc.

Over the year, the Internal Audit Team have found senior management of East Devon District Council to be generally supportive of Internal Audit with a good relationship with management whereby management can approach Internal Audit when they perceive potential problems. This can be demonstrated by the ongoing

Internal Audit Annual Opinion 2022/23

The Head of Internal Audit (SWAP Assistant Director) is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion Continued

updates and requests for advisory work that were made to the plan during the year. However, there is some room for improvement in how responsive management are to the recommendations made.

In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic and operational risks where possible. A summary of audit work carried out against the Council's risks are summarised in table 1 below. It must be noted that it is not possible to cover all key risks in any one year but to provide coverage over the medium term. As with previous years, the scope of our work does not extend to covering ICT services under Strata and therefore ICT services and risks are outside the scope of our opinion.

Audit Coverage by Corporate Risk

Internal audit coverage should be aligned to key corporate priorities and key corporate risks.

The East Devon District Council Risk Register is a live document and subject to change throughout the year as the risk environment that EDDC operates in changes. Therefore, this table reflects a summary of coverage against shifting priorities throughout the year in terms of corporate and operational risks.



Audit Coverage by Strategic Risk

Table 1: Audit Coverage by Strategic Risk

Table Key	Reasonable internal audit coverage 2022-23	Partial internal audit coverage 2022-23	No internal audit coverage 2022-23
Strategic Risk			Coverage* Planned 2023-24
Business failure of a major contractor or significant partner			2019-20 2023-24
Adequacy of financial resource planning to deliver the Council's priorities		2022-23	
Major disruption in continuity of computer and telecommunications services		2022-23	
Adequate emergency planning and business continuity			2019-20 2023-24
Failure to ensure that our corporate property portfolio is fully compliant with legal requirements			2020-21
Failure to meet the requirements of data protection legislation and good information governance			2020-21 2023-24
Delivery of Growth Point			-
Increasing homelessness		2022-23	
Failure to ensure the Council's sustainability		2022-23	
Failure to adequately protect staff health and safety at work			2021-22
Retaining and strengthen a collective approach to decision making			- 2023-24
Climate Change targets not achieved		2022-23	
Recruitment and Retention Issues		2022-23	2023-24
Reputational damage to the organisation		2022-23	
Risk of Service failure			-

In addition to the strategic Risks, we also map our work against the operational risk register. Coverage against the operational risk register is:

Number of Operational Risks	79
Number fully Covered by Audit Work	1
Number Partially covered	3

Summary of Audit Outcomes

Definitions of Corporate Risk

High Risk

Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

Medium Risk

Issues which should be addressed by management in their areas of responsibility.

Low Risk

Issues of a minor nature or best practice where some improvement can be made.



Significant Corporate Risks

Our audits examine the controls that are in place to manage the risks that are related to the area being audited. We assess the risk at a 'Corporate' level once we have tested the controls in place. Where the controls are found to be ineffective and the 'Corporate risk' as 'High' these are brought to the Audit Committees attention. For those audits which have reached report stage through the year, we have assessed the following risks as 'High'.

Review Name / Risks

No High Corporate risks have been identified through audit work in 2022/23.

Summary of Limited Assurance Audits

Audit Name	Risk Rating	Priority Findings		
		1	2	3
Disability Facility Grants and Better Care	Medium	0	5	5
Housing Compliance – Asbestos	Medium	0	3	2

Note all these audits have been reported throughout 2022-23 to the Audit Committee.

Summary of audit outcomes

At the conclusion of an audit assignment each review is awarded an Audit Assurance Opinion:

- **Substantial** - A sound system of governance, risk management and control exists.
- **Reasonable** - Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives.
- **Limited** - Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives.
- **None** - The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives.



Summary of Audit Opinion

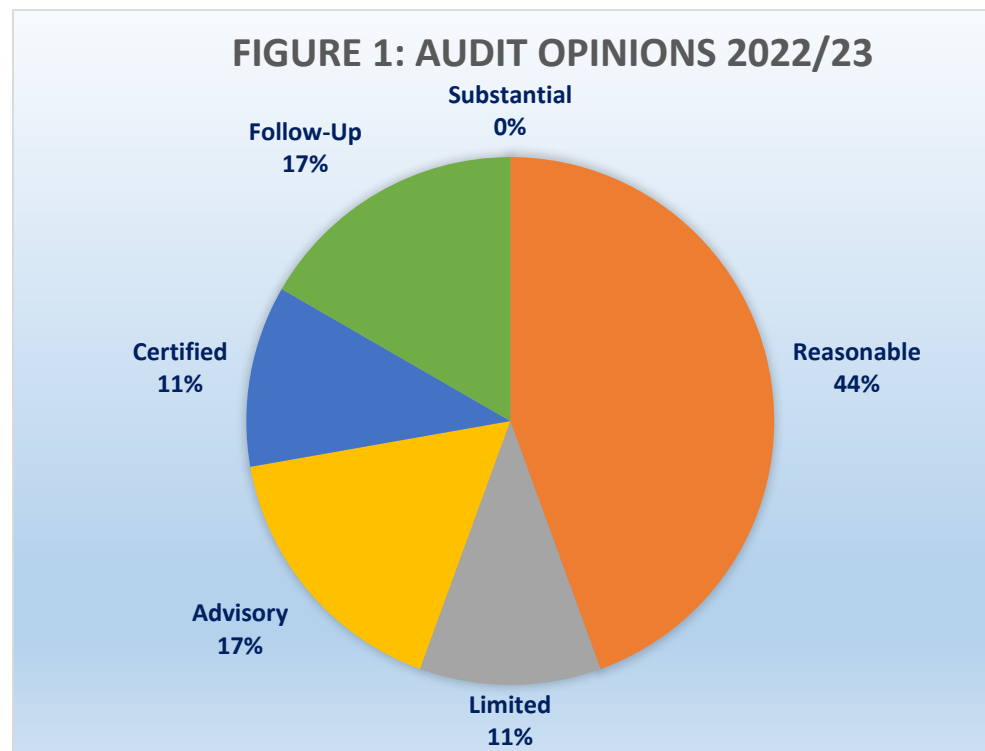


Figure 1 provides a breakdown of the audit work by opinions across the year.

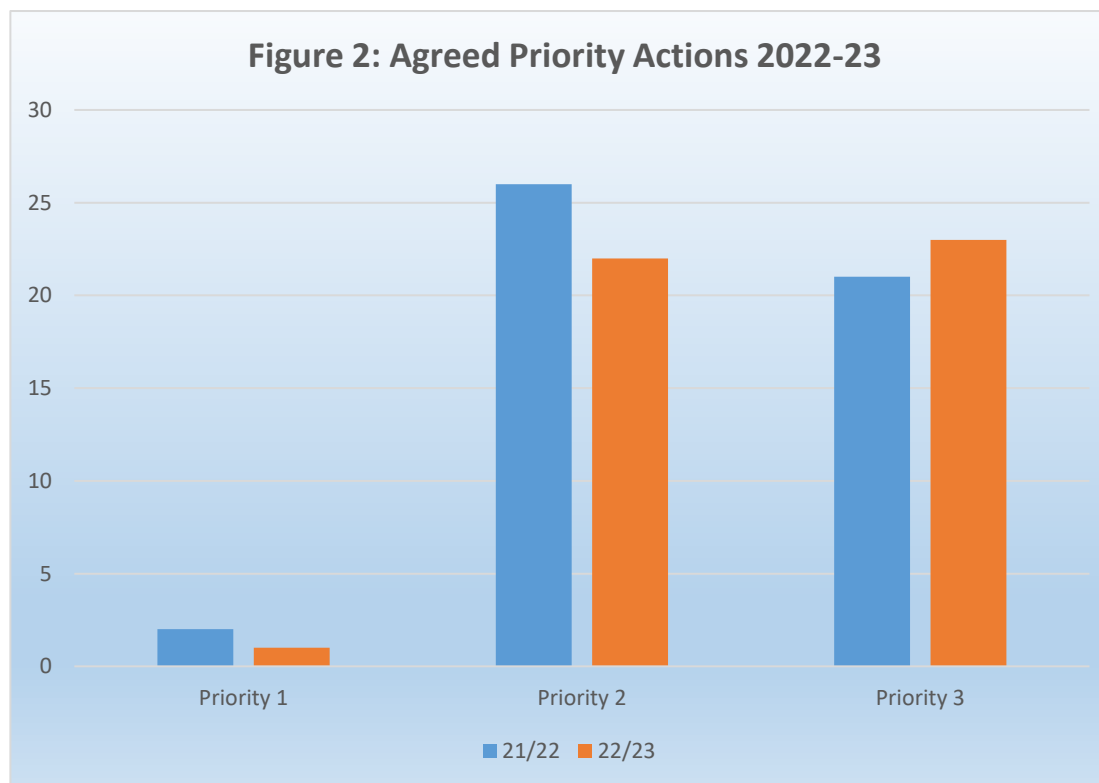
Summary of audit outcomes

SWAP Performance - Summary of Audit Actions by Priority

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



Priority Actions



A number of advisory reviews do not have priorities rating recommendations, such as grant certification and lessons learned.

Plan Performance 2022/23

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).



SWAP Performance

SWAP's performance is subject to regular monitoring and review by both the SWAP Board of Directors and the Owners Board. The respective outturn performance results for the SWAP team conducting audits at EDDC for the 2022/23 year are as follows:

Performance Target	Performance
Overall client satisfaction <i>did our work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence</i>	98.7%
Value to the organisation <i>client view of whether our audit work met or exceeded expectations, in terms of value to their area</i>	96.7%

SWAP work is completed to comply with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS) and the CIPFA Local Government Application Note.

Under these standards we are required to be independently externally assessed at least every five years to confirm compliance to the required standards. SWAP was recently assessed in February 2020 and confirmed that we are in conformance to PSIAS.

Attribute Standard 1300 of the IPPF requires Heads of Internal Audit to develop and maintain a Quality Assurance and Improvement Programme (QA&IP). Standard 1310 continues this dual aspect by stating that the programme must include both internal and external assessments. This acknowledges that high standards can be delivered by managers, but it also implies that improvements can be further developed when benchmarking is obtained from outside the organisation and the internal audit function. Following our External Assessment, we have pulled together our QA&IP and included additional improvements and developments identified internally that we want to make, as aligned to SWAP's Business Plan. The QA&IP is a live document and will be regularly reviewed by the SWAP Board to ensure continuous improvement and delivery on our actions.

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Complete									
Assurance	Homelessness	1	Complete	Reasonable	5	-	3	2	
Follow Up	Annual Vehicle Declarations and Compliance	1	Complete	Follow Up	1	-	1	-	
Grant Certification	Protect and Vaccinate – CIA Sign off	1	Complete	Advisory	-	-	-	-	
Assurance	Housing Rents	1	Complete	Reasonable	2	-	1	1	
Assurance	Disability Facility Grants and Better Care	1	Complete	Limited	10	-	5	5	Reported November 2022
Assurance	Restart Grants	1	Complete	Reasonable	0	0	0	0	
Advisory	Baseline Assessment for Maturity of Fraud Risk Update	1	Complete	Advisory	0	0	0	0	
Grant Certification	NEW: Covid Outbreak Management Fund (COMF)	2	Complete	Advisory	-	-	-	-	
Assurance	Main Accounting	2	Complete	Reasonable	7	-	2	5	
Assurance	Debtors	2	Complete	Reasonable	6	-	4	2	
Follow Up	Small Works and Services Contract Management	2	Complete	Follow Up	4	1	2	1	

Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
Assurance	Economic Resilience	2	Complete	Reasonable	2	-	-	2	
Assurance	Worksmart+ Strategy	3	Complete	Reasonable	5	-	1	4	
Assurance	Climate Change	2	Complete	Reasonable	4	0	4	0	
Assurance	Housing Compliance – Asbestos	4	Complete	Limited	5	0	3	2	Reported July 2023
Advisory	Recommendation Tracking	2-4	Complete	Advisory	-	-	-	-	
Advisory	Revenues & Benefit Fraud Support	3-4	Complete	Advisory	-	-	-	-	
Follow Up	Housing Invoice Payment Process Follow Up	4	Complete	Advisory	1	0	0	1	1 P3 outstanding. All 3 other recommendations complete.
DRAFT									
Assurance	New: HR Review	4	Review						
IN PROGRESS									
Assurance	Cyber Security	3-4	Drafting						
Assurance	Cranbrook Town Development Project Governance	4	In Progress						

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Summary of Internal Audit Work 2022/23

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	1 - Major 3 - Minor			Comments
						1	2	3	
REMOVED FROM PLAN									
Assurance	Firmstep	4							Included in Q1 Plan 2023-24
Advisory	Value For Money	4							On-rolling plan for consideration during 2023-24
Assurance	GDPR Data Protection	4							Included in Q1 Plan 2023-24

Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Revenue and Capital Outturn Report 2022-2023

Report summary:

The following report was presented to Cabinet on 12 July 2023. The report is presented to Audit & Governance Committee to inform the Committee of the financial outturn position for 2022/23 and to note the recommendations to Council.

The draft accounts are due to be published shortly along with the public inspection notice on the Council's website. Following publication the accounts will be presented to members for understanding and questioning.

The accounts will be subject to external audit by the Council's appointed auditors Grant Thornton UK LLP and will be presented back to committee for approval once this work is complete.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

1. To note the Revenue and Capital Outturn position for 2022/23 and the recommendations to Cabinet on 12 July 2023.

Reason for recommendation:

To report the Outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital expenditure.

Members are asked to note the variations from the budgets identified within the report and consider the implications and proposals relating to the Balances and Reserves held by the Council.

Officer: John Symes – Finance Manager, jsymes@eastdevn.gov.uk, 01395 517413

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk; Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. All predetermined Balance and Reserve levels were predicted to be maintained above the adopted minimum levels. The report also looks at the monies the Council holds in balances and reserves and considers these in the light of the Council's future financial position and future Government funding cuts and other emerging financial pressures e.g. inflationary pressures. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information [Cabinet report 12th July 2023](#) item 13

Link to [Council Plan](#)

Priorities (check which apply)

- ☒ Better homes and communities for all
 - ☒ A greener East Devon
 - ☒ A resilient economy
-

Financial implications:

The financial details are included in the report.

Legal implications:

Any legal implications are identified in the report and no further comment is required.

Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



South West Mutual Regional Bank

Report summary:

The committee asked for an update to be provided on the South West Regional Bank proposal in which this Council along with a number of other South West Local Authorities provided investment funding in order to set up a regional bank.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

To note the position

Reason for recommendation:

Members of the Audit & Governance Committee requested an update

Officer: Simon Davey, Finance Director, sdavey@eastdevon.gov.uk

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: High Risk; The Council in agreeing to this proposal understood there was a risk that there would be no financial return and the entire initial investment could be lost. This risk was accepted but Council supported the investment for the prospects of benefits that could be obtained for the region and used the business rate pilot monies to make the investment.

Links to background information [Cabinet report 6 February 2019](#) (item 161) recommending to Council to support £49,995 investment in South West Mutual.

[Local Authority update note June 2022](#)

South West Mutual update reports [6th February 2023](#) and [4th April 2023](#).

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
 - ☐ A greener East Devon
 - ☒ A resilient economy
-

South West Mutual Bank

1. Cabinet received a report 6th February 2019 along with a presentation from South West Mutual over a proposal to invest in the formation of a regional bank, this outlined objectives and benefits that would be derived for business and the public of the region. The report can be found here [Cabinet report 6 February 2019](#) (item 161). An investment of £49,995 was recommended by Cabinet to Council who adopted the decision. The same level of investment was made by 6 local authorities in Devon.
2. In Accounting terms being prudent we chose to finance the share purchase at the point of acquisition and we wrote the shareholding down to £1 in 2019/20. This did not diminish the fact we still held the shares but in accounting terms if we were to de-recognise the investment at a later date there would be no effect on the Council's cash funds. The reason being the investment risk at the time and the motive for Councils was not an investment return but support more akin to a grant, Council approved funding to cover the investment from the 100% business rate pilot scheme we financially benefited from in the past.
3. Attached is an update report issued specifically to South West Mutual Local Authority Members in June 2022. This document outlines issues encountered and material barriers which have delayed and realistically halted the originally envisaged regional mutual bank. They state progress was hampered by the Pandemic and barriers relating to:
 - Competition law barriers preventing co-operation between regional mutual banks
 - Regulatory barriers to the creation of mutual banking start-ups
 - Lack of patient capital for purpose-led financial institutions

These issues are explained in the attached update.

4. The update also explains a revised strategy:

“In response to these issues, the Board has adopted a revised strategy of introducing banking services in stages, starting with a business loan fund aimed specifically at smaller farms that want to invest in nature friendly farming practices – the South West Agroecology Fund.

The overall objective remains to obtain a full banking licence, and to introduce a full range of high street banking services to households and businesses in the region over time. The business model remains closely aligned to that originally presented to investors with modifications to take account of changes in banking technology and consumer trends.

The next step is to complete legal and operational preparations and raise finance to launch the South West Agroecology Fund in late 2022 / early 2023.-“

5. However since this update was issued in June 2022 two further updates have been received in February 2023 and Apr 2023 which are both attached. In summary they state because of the changing economic situation the Board has suspended all current activities and are considering putting South West Mutual into hibernation until political or economic changes present new opportunities. We are awaiting the Boards recommendations to seek approval from members on next steps.

Financial implications:

The Council entered into this investment with the full knowledge of the risks and made a prudent decision to fund the investment at point of purchase, to de-recognise the investment on the Council's balance sheet will not have any effect on the Council's General Fund or any other cash funds.

Legal implications:

As this is an update report only, there are no substantive legal issues to be added.

Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Risk Review Summer 2023

Report summary:

Risk information for the 2023/24 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 May/June 2023. Most of these reviews were completed by the responsible officers with the Management Information Officer.

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in May/June 2023.

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 ext 2690 and Joanne Avery, Management Information Officer javery@eastdevon.gov.uk ext 2332

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☐ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☒ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

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 – Operational risks low and medium 2023](#)

[Appendix B – Operational risks high 2023](#)

[Appendix C - Strategic Risk Register full 2023](#)

[Appendix D – Explanations and definitions](#)

Link to [Council Plan](#)

Priorities (check which apply)

☒ Better homes and communities for all

☒ A greener East Devon

☒ A resilient economy

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 months of May and June the risk owners were tasked with reviewing their risks in the SPAR system. For this review, the Management Information Officer meet with several of the risk owners to review the risk entries together. This was a really useful exercise and has resulted a several changes and updates to the risk register.
3. The operational risk register contains 81 risks which have all been reviewed. All of the risks have been reviewed and re-scored in light of all mitigating actions being undertaken and in relation to the on-going pandemic. The services were asked to highlight any new and emerging risks with no new operational risks being put forward at this review. [Appendix A](#) provides all of the low and medium scoring operational risks.
4. In the operational risk register there are four risks currently scored as high, see [Appendix B – Operational risks high](#).
 - **Failure of performance under the Partnering Agreement by our responsive repair contractor leading to an inability to perform day to day repairs to tenants' homes.** - Work remains ongoing in this area Housing Review Board were given a comprehensive update at the June board. Results from the tenants' survey have indicated concerns with tenant satisfaction with repairs and maintenance. Work remains ongoing on this with regular updates to the Housing Review Board.
 - **Failure to maintain gas safety, fire risk, asbestos register, solid fuel servicing, and legionella testing to meet legal requirements.** - Additional dashboard monitoring now in place that sits across all areas of housing compliance. This is monitored by the housing leadership team monthly and going forward will periodically report into SMT+. Securing resources in this area continues to be a challenge but we are starting to see some positive impact following the reward review. Issues have arisen in relation to electrical safety Social Housing Regulator has been informed and is satisfied with actions being taken, weekly monitoring is in place with Assistant Director of Housing and the operational team to ensure we come back to full compliance urgently.
 - **Failure to maintain a 5 year housing land supply.** We are working on a new annual housing monitoring report this is unlikely to change the position. The requirement from the

government's standard method has reduced from 946 homes per year to 910 but this is unlikely to fundamentally change our position. A new Local Plan and consents for housing sites are needed to build a pipeline of new housing sites to meet the identified need.

- **Failure of the contractors to deliver the service through staff shortages, strike action, company liquidation, legal prohibitions and/or other similar circumstances that render this contractor unable to continue with the contract.** This remains very likely due to contract extension negotiations, preparation for contract replacement in 2026 and legislative uncertainty.

5. The tables below set out the number of risks in each service by score.

Finance	High	Medium	Low
Risks by score		3	12

Housing	High	Medium	Low
Risks by score	2	14	1

Growth & Development	High	Medium	Low
Risks by score	1	8	3

Health & Environment	High	Medium	Low
Risks by score	1	9	6

6

Governance & Licensing	High	Medium	Low
Risks by score		6	4

HR & Communications	High	Medium	Low
Risks by score		3	8

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

There are 16 risks on the strategic register none of these risks are currently showing as high risk. More details for each risk can be seen in [Appendix C](#).

Strategic Risks	High	Medium	Low
Risks by score	0	15	1

There are no new risks on the strategic risk register.

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

Financial implications:

No direct financial implications

Legal implications:

There are no direct legal implications

Report to: Audit and Governance Committee

Date of Meeting 27 July 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A



Request from Council – Review of record keeping

Report summary:

An Extraordinary Council meeting on 11th July 2023 considered a report commissioned by Council into the actions of East Devon District Council following allegations and then criminal charges against former Councillor John Humphreys.

The draft minutes of that meeting refers to this Committee a requirement for a review of record keeping by the Council.

It is appropriate that the Audit & Governance Committee request SWAP to undertake an audit on its behalf into this topic. The scope of audit is suggested to cover:

- Are existing policies fit for purpose and follow best practice and to recommended for any improvements.
- To determine if responsibility for record keeping is defined and assigned to individuals appropriately.
- To test and determine in practice the position with record keeping in the authority.

The members of Committee are asked to consider if this covers the areas they would expect.

This topic is wide ranging and will cross over with IT policies and Data Protection Regulations and possibly over audits that have taken place or taking place. It is therefore suggested that following seeking the views of the Committee the final scope of audit is agreed with the Chair and Vice Chair in discussions with SWAP, the Director of Finance and the Director of Governance & Licensing (Monitoring Officer).

Is the proposed decision in accordance with:

Budget Yes ☒ No ☐

Policy Framework Yes ☒ No ☐

Recommendation:

1. That SWAP are requested to undertake an audit into the Council's recording keeping and to make any necessary recommendations for improvements, this to be scheduled for the 3rd quarter of the 2023/24 audit plan.
2. That taking into account the views of the Committee the Chair and Vice Chair agree the final audit scope following discussions with SWAP, the Director of Finance and the Director of Governance & Licensing (Monitoring Officer).

Reason for recommendation:

To follow the request of Council and it is considered good practice to review this area.

Officer: Simon Davey – Director of Finance

Portfolio(s) (check which apply):

- ☐ Climate Action and Emergency Response
- ☐ Coast, Country and Environment
- ☐ Council and Corporate Co-ordination
- ☒ Democracy, Transparency and Communications
- ☐ Economy and Assets
- ☐ Finance
- ☐ Strategic Planning
- ☐ Sustainable Homes and Communities
- ☐ Tourism, Sports, Leisure and Culture

Equalities impact Low Impact

Climate change Low Impact

Risk: Medium Risk;

Links to background information

Link to [Council Plan](#)

Priorities (check which apply)

- ☐ Better homes and communities for all
- ☐ A greener East Devon
- ☒ A resilient economy

Financial implications:

There are no direct implications at this stage.

Legal implications:

There are no substantive legal issues to be added to this report.

Audit and Governance Committee**27 July 2023****Audit and Governance Committee****Forward Plan 2023/24**

Date of Committee	Report	Lead Officer
21 September 2023	<ul style="list-style-type: none"> • Audit Committee Update • Auditor's Annual Report 2021-22 • Internal Audit Activity – Quarter 2 2022/23 • Strata Annual Internal Audit report • Statement of Accounts 	Grant Thornton SWAP DAP Director Finance
23 November 2023	<ul style="list-style-type: none"> • Internal Audit Plan Progress (2023/24) • EDDC Sector update • EDDC Audit Plan 2022/23 • Partnership Review 2023 	SWAP Grant Thornton Management Information Officer
18 January 2024	<ul style="list-style-type: none"> • Internal Audit Activity – Quarter 3 2022/23 • Audit Committee update 	SWAP Grant Thornton

21 March 2024	<ul style="list-style-type: none"> • Annual Audit Plan 2024/25 and Review of Internal Audit Charter • Internal Audit Plan Progress • Auditor's Annual Report • Audit Findings Report • External Audit Plan • Audit Committee update • Risk Management review – half year review • Accounting Policies Approval • Statement of Accounts including Governance Statement 	<p>SWAP</p> <p>Grant Thornton</p> <p>Management Information Officer</p> <p>Financial Services Manager</p> <p>Director Finance</p>
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