

**Agenda for Audit and Governance Committee
Thursday, 14th December, 2023, 2.30 pm**

Members of Audit and Governance Committee

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

Venue: Council Chamber, Blackdown House

Contact: Amanda Coombes;

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(or group number 01395 517546)

Wednesday, 6 December 2023



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1 Minutes of the previous meeting (Pages 3 - 5)

2 Apologies

3 Declarations on interest

Guidance is available online to Councillors and co-opted members on making [declarations of interest](#)

4 Public speaking

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

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 Plan Progress report 2023/24 - SWAP** (Pages 6 - 19)

8 **Interim Auditor's Annual Report 2021/22 - Grant Thornton** (Pages 20 - 60)

9 **Audit and Governance Forward Plan** (Page 61)

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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 on 21 September 2023

Attendance list at end of document

The meeting started at 2.32 pm and ended at 3.16 pm

14 Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 27 July 2023 were confirmed as a true record.

15 Declarations on interest

None

16 Public speaking

There were no members of the public present.

17 Matters of urgency

None

18 Confidential/exempt item(s)

None

19 Internal Audit Plan 2023-24 - SWAP

The Assistant Director, SWAP presented the Internal Audit Plan 1 October 2023 to 31 March 2024.

During discussion it was suggested that the management of void properties in the council's housing stock be added to the risk score.

RESOLVED:

That the Internal Audit Plan for 1 October 2023 to 31 March 2024 be approved.

20 Internal Audit Activity Progress report - SWAP

The Assistant Director, SWAP presented the Internal Audit Progress report.

RESOLVED:

That the progress made in delivery of the 2023/24 internal audit plan as at the start of September 2023 and the findings reported be noted.

21 Audit Progress report and Sector update - Grant Thornton

Jackson Murray from Grant Thornton provided an update on the progress in delivering their responsibilities as the council's external auditors, with a summary of emerging national issues and developments that may be relevant to the council.

RESOLVED:

that the External Audit Progress report and sector update be noted.

22 **Financial Monitoring report 2023/24 - Month 4 July 2023**

The Finance Manager's report was presented to Cabinet on 6 September 2023. The report was presented to the Committee to inform Members of the financial position for month 4, July 2023.

RESOLVED:

that the Financial Monitoring month 4, July 2023, position and the recommendations to Cabinet on 6 September 2023 be noted.

23 **Audit and Governance Forward Plan**

Items to be considered at the 23 November 2023 committee included:

- Internal Audit Plan Progress (2023/24)
- EDDC Annual Audit Plan 2021/22
- Partnership Review 2023
- Strata Annual Internal Audit report
- Statement of Accounts

Attendance List

Councillors present:

M Goodman
S Hawkins (Chair)
Y Levine
T Olive

Councillors also present (for some or all the meeting)

I Barlow

Officers in attendance:

Amanda Coombes, Democratic Services Officer
Simon Davey, Director of Finance
Lisa Fryer, SWAP
Jackson Murray, Grant Thornton
John Symes, Finance Manager

Councillor apologies:

K Bloxham
C Burhop
C Fitzgerald
S Gazzard
D Haggerty
C Nicholas

Chair

Date:



Report to: Audit and Governance Committee

Date of Meeting 14 December 2023

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan Progress report 2023/24

Report summary:

Internal Audit Progress Report – November 2023

Is the proposed decision in accordance with:

Budget Yes No

Policy Framework Yes No

Recommendation:

The Committee is requested to note progress made in delivery of the 2023/24 internal audit plan as at the start of November and the findings reported.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee review progress of the internal audit plan.

Officer: Lisa Fryer, Assistant Director, SWAP Internal Audit Services. Lisa.fryer@swapaudit.co.uk

Portfolio(s) (check which apply):

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

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information N/A

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

Progress Report – November 2023

Year Ended 31 March 2024

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Internal Audit – November 2023/24 ‘At a Glance’

The Headlines

	<p>23/24 Reviews completed in the period</p> <ul style="list-style-type: none"> Two audits finalised Three audits in draft Five reviews in progress
	<p>Progress to date On track to deliver plan:</p> <ul style="list-style-type: none"> 60% of the plan has been started
	<p>Follow-ups in the period</p> <p>One follow-up audit completed.</p>
	<p>Plan Changes in the period</p> <ul style="list-style-type: none"> Agreed to defer two audits to 24/25
	<p>Range of innovations and enhancements made to our internal audit process throughout the year Partnership guidance from another SWAP partner shared as part of the strategic partnerships audit to aid best practice.</p>

Internal Audit Assurance Opinions 2023/24

	Nov	YTD
Substantial	0	0
Reasonable	1	1
Limited	1	3
No Assurance	0	0
Total	2	4

Internal Audit Agreed Actions 2023/24

	Nov	YTD
Priority 1	1	7
Priority 2	8	15
Priority 3	4	10
Total	13	32

Summary

As part of our rolling plan reports, we will detail progress against the approved plan and any updates in scope and coverage.

We will also provide details of any significant risks that we have identified in our work, along with the progress of mitigating significant risks previously identified through audit activity.

The contacts at SWAP in connection with this report are:

Lisa Fryer

Assistant Director

lisa.fryer@swapaudit.co.uk

David Hill

Chief Executive

david.hill@swapaudit.co.uk



Summary

Introduction

This progress report allows monitoring against the planned audits agreed for 2023/24. The plan remains necessarily flexible and two reviews have now been added at the request of Senior Management. The schedule provided at **Appendix D** details progress made against the plan, including the new audits 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 at **Appendix A** of this document.

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a ‘limited Assurance Opinion’ is given as part of this report in **Appendix B**.

A follow-up review is performed in respect of all limited assurance opinion audits. This is important to provide evidence that recommendations have been implemented to reduce areas of risk identified. The results of follow-up reviews performed in the period can be found in **Appendix C**.

In circumstances where findings have been identified which are considered to represent high corporate risks to the Council, due to their importance, these issues are separately summarised. No significant corporate risks were reported in the period.

Internal Audit Progress Update

Our audit plan coverage assessment is designed to provide an indication of whether we have provided sufficient, independent assurance to monitor the organisation’s risk profile effectively.

For those areas where no audit coverage is planned, assurance should be sought from other sources to provide a holistic picture of assurance against key risks.



SWAP audit plan coverage across strategic risks

The internal audit plan agreed is based on our risk based approach to help ensure that resources are focused where internal audit can offer the most value and insight. A key source of information is the Council’s strategic risk register.

The table below provides a summary of how our completed audits and work in progress this year provides assurance over key strategic risks areas in the Internal Audit Plan. As the year builds and more work is completed, coverage across the key risk areas will increase. ‘Reasonable’ coverage reflects delivery of planned assurance levels.

Table Key	Reasonable internal audit coverage 2023-24	Partial internal audit coverage 2023-24	No internal audit coverage 2023-24
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Internal Audit Progress Update

Risk Coverage Continued:

Strategic Risk	Coverage
Business failure of a major contractor or significant partner	Supplier Resilience
Adequacy of financial resource planning to deliver the Council's priorities	Financial Planning
Major disruption in continuity of computer and telecommunications services	(Covered by Strata)
Adequate emergency planning and business continuity	Emergency Planning
Failure to ensure corporate property portfolio is fully compliant with legal requirements	Asbestos follow-up, Damp and Mould
Failure to follow data protection legislation requirements & good information governance	Information Governance
Failure to deliver the Enterprise Zone and wider west end development programme	
Increasing homelessness	
Failure to ensure the Council's sustainability	
Failure to adequately protect staff health and safety at work	
Retaining and strengthen a collective approach to decision making	
Climate Change targets not achieved	
Recruitment and Retention Issues	IR35 Compliance, Recruitment & Onboarding
Reputational damage to the organisation	
Risk of Service failure	Performance Management
Impact of the economic situation on our residents	Disabled Facilities Grant/Better Care
Implementation of the Elections Act 2022	Elections

Internal Audit Progress Update

Given a risk based approach is followed, it is important to demonstrate that agreed actions are implemented to reduce risks reported.

Action Plan Monitoring

It is important that the agreed action is taken to reduce the risks reported within our internal audit reports. To help ensure that this is the case, implementation of these actions is regularly monitored and below is a summary of the latest monitoring exercise.

Year of Audit	Name of Audit	Implementation Date	Implementation Status
20/21	Procurement	Now passed	Need further update
21/22	Firmstep	Mar-24	In Progress
21/22	Risk Management	Now passed	Need further update
21/22	Fleet Management	N/A	Complete
21/22	Workforce Planning	Mar-24	In Progress
22/23	Housing Compliance - Asbestos Management	Dec-23	In Progress
22/23	Small Works & Services Contract Management	Now passed	Need further update
22/23	Debtors (Accounts Receivable)	Now passed	Need further update
22/23	Workmart+	Jan-24	In Progress
22/23	Climate Change	Apr-24	In progress
23/24	Emergency Planning	N/A	Complete
23/24	Agency staff & Consultants, Implications of IR35	Dec-24	In progress
23/24	Damp and Mould in Council Homes	Jan-24	In progress

Internal Audit Progress Update

Adequate audit coverage is needed to support the annual opinion.



Progress Year to Date




We are on track to deliver our programme of work with 60% of the plan at least now in progress.

Assurance Definitions	
No Assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
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.

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Definition of Corporate Risks	
Risks	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.

Performance Management	Risks Reviewed	 Limited	Priority Actions			
	A failure to monitor performance may result in customer complaints, poor service delivery and may compromise the Council's reputation.		1	2	3	Total
			1	6		7
<p>The key audit finding is the lack of a performance monitoring framework that defines roles and responsibilities, information flows including governance and strategic, service and operational level requirements. In addition, some of the Performance Indicators reported could be improved with added context, ensuring that they are all quantitative and by undertaking benchmarking. Performance Management is currently being reviewed by the Council as part of the Financial Sustainability Model, as well as by Scrutiny. The outcomes of both will be used to inform this work.</p>						

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Housing Contract Management	Scope and Objective	Progress Summary			
	To provide assurance that the agreed actions to mitigate against risk exposure, identified within this 2022/23 audit have been implemented.	Completed	In progress	Not Started	Total
Priority 1		0	0	0	0
Priority 2		9	3	0	12
Priority 3		2	0	0	2
Total		11	3	0	14

The original audit was completed in June 2022 and received a limited assurance opinion. The objective of the original audit was to review concerns raised regarding services delivered by the Property and Assets team.

The follow-up audit found evidence that the majority of the actions agreed has been addressed. In terms of the major findings:

- **Vulnerable Tenants** - A Tenancy Visit Policy and Procedure was approved by the Housing Review Board in March 2023, and this includes assessing the tenant’s vulnerability. Housing Officers receive a list of tenancy addresses where the Annual Tenancy Visits (ATV’s) are carried out and these began at the end of June 2023.
- **Job Monitoring and Control** – Controls around jobs on hold, job abandonment, job recalls and record keeping are generally operating effectively.

There are three remaining actions in progress and these will be followed up as part of our routine action tracking work.

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Complete							
Operational	Emergency Planning	Final	Limited	8	0	3	5
Operational	NEW Agency and Consultants – Implications of IR35	Final	Limited	11	6	4	1
Follow-up	NEW Housing Landlord Health and Safety compliance – Asbestos	Final	N/A	1 of 3 priority 2 recommendations complete, 2 are in progress			
Follow-up	Management of the Better Care Fund and Disability Facility Grants	Final	N/A	All 5 priority 2 recommendations complete			
Operational	Housing Landlord Health and Safety compliance – Damp and Mould	Final	Reasonable	6	0	2	4
Governance	Performance Management	Final	Limited	7	1	6	0
Follow-up	Housing Contract Management (Whistleblowing)	Final	N/A	80% actions agreed implemented			
Reporting							
Governance	Information Governance Policies	Draft					
Governance	Strategic Partnerships	Draft					
Advisory	Member Training & support – Skills Survey	Draft					
In progress							
Fraud	Fraud Awareness – e-learning module	In progress					
Governance	Financial Planning – Establishment Control	In progress					
Key Control	Business Rates	In progress					

Audit Type	Audit Area	Status	Opinion	No of Rec	1 =	↔	3 =
					Major		Medium
					Recommendation		
	1	2	3				
Operational	Countryside – use of Volunteers	In progress					
Governance	Recruitment and On-Boarding	In progress					
Not Started							
Operational	Housing Contractor Management - complaints	Not started					
Operational	Housing Landlord Health and Safety Compliance: Electrical Safety	Not started					
Operational	Firmstep – Digital Project Outcomes	Not started					
Governance	Supplier Resilience	Not started					
Governance	Elections	Not started					
Operational	Planning Enforcement Service	Not started					
Operational	Waste Contract Extension	Not started					
Follow-up	Emergency Planning	Not started					
Deferred							
Operational	Governance arrangements – district heating project	Deferred	Approval of project by cabinet scheduled for November. Defer to 24/25 to increase potential for audit work.				
Operational	Customer data in Firmstep – data protection compliance	Deferred	Agreed to defer to 24/25				
Advisory	Housing Site Development	Deferred	Agreed to defer to 24/25				

Interim Auditor's Annual Report on East Devon District Council

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2021/22

December 2023

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2021/22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2020/21 Auditor Judgment	2021/22 Auditor Judgment	Direction of travel
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but five improvement recommendations made	Three improvement recommendations have been implemented. No significant weaknesses in arrangements identified, but three improvement recommendations made	↔
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but nine improvement recommendations made	Significant weakness identified and three key recommendations made. Seven improvement recommendations have not been fully implemented from the prior year. Four improvement recommendations made in 2021/22.	↓
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvement recommendations made	No significant weaknesses in arrangements identified, but four improvement recommendations made	↔

- No significant weaknesses in arrangements identified or improvement recommendation made.
- No significant weaknesses in arrangements identified, but improvement recommendations made.
- Significant weaknesses in arrangements identified and key recommendations made.

Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they: (i) present a true and fair view of the Council's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have yet to complete our audit of the 2021/22 draft financial statements, which at the time of writing have yet to be formally issued in draft.

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We did not issue statutory recommendations.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We did not issue a Public Interest Report.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply for a declaration from the Court.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We did not issue an Advisory Notice.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

We did not apply for Judicial review.

Securing economy, efficiency and effectiveness in the Council's use of resources

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:



Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.



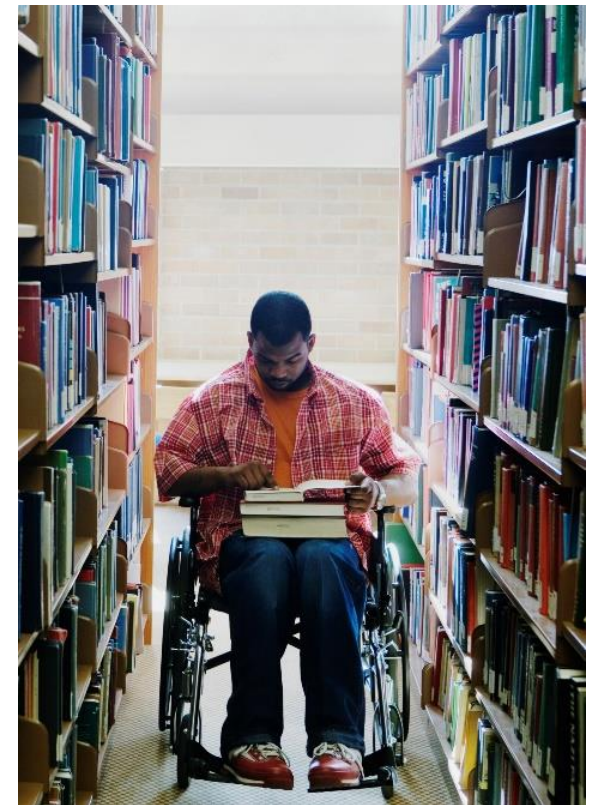
Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Further detail



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 6 to 30. Further detail on how we approached our work is included in Appendix B.



Governance



We considered how the Council:

- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee; and
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

During the period under review the Council was reacting to, and dealing with, the Covid-19 pandemic. There were many excellent examples of officers and members working effectively together in a cohesive manner to the benefit of the district, and responding to the challenges in very difficult and unprecedented circumstances. Officers and members responded well to new ways of working, with frequent online Cabinet meetings called at short notice to consider and approve various key actions to support residents and business. Remote working throughout this period did make building and maintaining relationships more challenging.

Standards

Our Audit Plan, issued in September 2022, did not identify any risks of significant weakness in respect of governance arrangements. Our detailed Value for Money work began later in 2022 and this began to identify some concerns in respect of governance arrangements that led us to communicate to the Council in January 2023 that we would undertake a deeper dive into governance arrangements. This was also confirmed to the Audit and Governance Committee in March 2023.

As designed, the Council's governance arrangements should be robust. The Council's Code of Corporate Governance is publicly available on its website which is based on the CIPFA/SOLACE "Delivering Good Governance in Local Govt: Framework" and the seven principles of good governance. However, the arrangements in 2021/22 and 2022/23 were undermined by poor working relationships between certain officers and members. In our view, this led to a break-down in the operating effectiveness of some governance arrangements at the Council and we consider that a significant weakness existed in governance arrangements in both 2021/22 and 2022/23. We raise the issues for 2022/23 given the date of our reporting and in accordance with the National Audit Office's Code of Audit Practice which requires us to report weaknesses when we are aware that they exist, despite this report covering arrangements in 2021/22.

We undertook a deeper dive into governance arrangements between January and March 2023, conducting interviews and reviews of documentary evidence, including minutes, reports and email evidence. Whilst it appears that relationships between most officers and portfolio holders were generally effective, it is clear that the relationships between some other senior officers and members were poor.

There were allegations of bullying behaviour by both officers and members. We saw evidence of some officers leaving the organisation, as well as suggestions that members did not stand for re-election, as a result of the behaviours and culture that was reported within the Council. Whilst different respondents had differing views and perspectives of the reasons for the behaviour and the various allegations, it is clear to us that relationships within the Council had resulted in an unacceptable culture. Cultural issues were also identified in reports produced by another third-party organisation.

In our 2020/21 Auditor's Annual Report we recommended that "the Council should continue its work in building better officer and member relations to ensure that progress is not lost". We consider that actions initially taken did not have the desired effect. In relation to this significant weakness we raise key recommendation 1 on page 10.

Informed decisions

The Council's formal arrangements do ensure all relevant information is provided to decision makers, with detailed reports taken to public meetings setting out facts and, where relevant, options and recommendations.

We saw evidence that suggested that there was sometimes a lack of understanding of the roles and responsibilities of officers and members, which could impact upon decision making, and linked to some of the cultural issues we identify earlier. We consider this a significant weakness and raise key recommendation 2 on page 11.



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.

Overview and Scrutiny and Audit and Governance Committees

Key Committees, particularly Overview and Scrutiny, are not operating effectively because they lack focus and did not have the required number of meetings. There have been problems with chairing Overview and Scrutiny and with low attendance of key committees. It appears that some members had become disengaged and there were numerous changes of Committee membership. These issues reduce public scrutiny and the effectiveness of governance arrangements around decision making.

The Audit and Governance Committee is not as strong and effective as it could be, with only around 60% attendance at each meeting during the period.

We raised a recommendation in relation to the membership of the Committee in our 2020/21 Auditors Annual Report and this is followed up on page 32. We note that following the publication of our report in March 2022, changes were made to the Committee membership, although attendance continued to be poor and in the 2022/23 financial year the membership of the Committee changed several times, with some members attending limited numbers of meetings. This can reduce the effectiveness of the Committee as accumulated knowledge and experience are continually lost.

This significant weakness is reflected in key recommendation 3 on page 12.

Subsequent updates

Whilst this report focuses on arrangements in place in the 2021/22 financial year ended 31 March 2022, the significant weaknesses identified, linked to the three key recommendations, continued into the 2022/23 financial year.

Following the completion of our detailed governance work earlier in the year, we shared confidential draft findings with key stakeholders and entered an extended period of consultation from the end of May 2023. We note that since sharing these draft findings, actions have been agreed which, if followed through to completion, should assist in attempting to resolve some of the issues that we have identified.

At the Council meeting of 19 July 2023 a motion of “Actions to provide the strong, united and informed managerial and political leadership” was debated, with various actions agreed. If followed as described, with unilateral agreement of the resultant recommendations, these actions should serve to improve arrangements at the Council building on previous joint work and address the significant weaknesses that we have identified. Current indications are that these steps are indeed having the positive impact that they intended, although it is accepted that until actions are embedded and tested then it cannot be evidenced that issues have been fully addressed. The recognition and debate of these issues at Council serves to support our view that arrangements were not adequate in the year under review, and until these issues have been addressed and embedded, arrangements remain inadequate.

Given the Council has discussed and agreed these actions in public, taking leadership on the issues, we consider that the matter is being taken seriously and appropriate subsequent action has begun and continues. We will follow up our recommendations in future Auditor’s Annual Reports to ensure that the recommendations are appropriately actioned, with relevant changes becoming embedded.

Procurement and commissioning of services

Whilst arrangements were generally robust with respect to procurement, there were seven instances of exemptions from contract standing orders being agreed by the Cabinet between May 2021 and February 2022. There were only two instances in the previous audit year. Most exemptions to standing orders were made as a result of administrative issues which should have been avoided. We have raised an improvement recommendation in respect of the use of exemptions to contract standing orders, see recommendation 4.



We considered how the Council:

- approaches and carries out its annual budget setting process; and
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships.

Engagement

The Council does not have an effective corporate approach to strategic engagement, and this reduces its ability to gather essential data and build relationships of trust with residents. For example, there was no consultation with residents on the Medium-Term Financial Plan and concern has also been expressed about the lack of a proactive approach to tenant engagement.

We have raised an improvement recommendation in respect of engagement, see recommendation 5.

Risk management

Internal Audit's annual opinion for 2021/22, was 'reasonable assurance', confirming that there is a reasonably effective system of governance, risk management and control in place.

However, the Council's overall approach to risk management is passive, rather than proactive and focussed on internal processes, rather than the external environment. The reporting of operational risks in November, following review in May/June occurred five months after any updates have been made. This is a considerable delay and therefore the update may no longer have been current, particularly in relation to operational risks.

Risk scoring and control assessment is not aligned as there are examples of risks where the controls are assessed as effective and operational but the residual risk is either unchanged or higher. There is not enough focus on risks relating to major capital projects, investments, the Council's reputation, staffing issues, barriers to recruitment and shortages of key skills. It is not clear what actions have been taken to mitigate risks.

Sources of assurance and direction of travel are not currently documented in the risk register or linked to the Internal Audit Plan.

We have raised an improvement recommendation in respect of risk management arrangements, see improvement recommendation 6.

Assurance

The Council's Whistleblowing, Anti-Fraud, Theft and Corruption and Anti-Bribery Policies were reviewed in 2022 and remain fit for purpose. There is no evidence of weakness in respect of the prevention and detection of fraud.

We conclude that processes and arrangements to manage risk are in place but that the system is not being fully utilised to understand and mitigate the full range of risks facing the Council. Risk management would also be strengthened by linking risks to strategic objectives as recommended in the 2020/21 Annual Auditor's Report. We have raised an improvement recommendation in respect of risk management arrangements, see improvement recommendation 6.

Budget setting process

There is clear evidence of consideration of trends and extrapolation to the year end through the quarterly Financial Monitoring Reports to Cabinet throughout 2021/22.

The Cabinet received the draft 2022/23 budget at the meeting on 5 January 2022 and it was then considered at joint meetings of the Overview and Scrutiny Committee held on 12 and 17 January 2022 and the Housing Review Board on 13 January 2022. The comments of these committees were fed back to Cabinet prior to adopting the final budget in February 2022.

The Member Budget Setting and Capital Allocations Panel, whose terms of reference include exploring suggestions for addressing budget gaps and approving the method of allocation and bid prioritisation, considered the draft 2022/23 budget at the meeting in December 2021, together with capital bids. This allowed appropriate internal scrutiny and it is evident that the budget process builds in engagement, feedback and updates from different committees and boards as we would expect. We have previously noted improvement recommendation 6 in respect of other stakeholder engagement and this is also relevant for the development of the budget and MTFP.

Budgetary control

The Council has implemented a new internal budget reporting process whereby the spreadsheets sent to budget managers have a high-level summary which also allows them to drill down to transactions, as the database is linked to an underlying spreadsheet. This is a helpful improvement and strengthens budgetary control arrangements.

Management information

Budget managers are provided with information, either monthly or quarterly, depending on the budget risk. As a minimum, accountants meet budget managers in person as part of the quarterly budget reporting cycle. Variances are picked up and mitigating actions identified and budget holders are appropriately held to account. There were no significant unexplained variances from budget at the end of the financial year.

Budget monitoring reports contain a detailed list of variances and Cabinet receive quarterly budget monitoring reports to allow appropriate scrutiny and hence these arrangements are appropriate.

Partnerships

The Council monitors its partnerships on an annual basis, but partnership activity is not linked to outcomes or the Council's objectives. See improvement recommendation 7.

The Council has a significant commercial partnership relationship with a company which undertakes repairs and maintenance for its housing stock. The Council, through its Housing Review Board, does monitor the performance of the company. Arrangements in this area are therefore considered to be appropriate.

We further consider partnership arrangements on page 26.

In summary, we concluded that significant weaknesses existed in the Council's governance arrangements during the year, which also continued through 2022/23. We have raised three key recommendations related to these significant weaknesses. We note subsequent actions that have been taken to begin to address these weaknesses, and report on these in future Auditor's Annual Reports.

Key recommendations



Recommendation 1

The Council should recognise that it has been given clear, consistent evidence of the existence of cultural issues and continue to implement actions to address the behaviours which have given rise to this culture by:

- appointing a qualified, independent facilitator to work with officers and members to develop and deliver a programme of activities to support effective relationships and challenge poor behaviour;
- agreeing a set of formalised remedial actions, including a zero-tolerance policy on bullying;
- revising the Members' Code of Conduct and Member/Officer Protocol to include specific examples of unacceptable behaviour and the sanctions which may be imposed by the Standards Committee in response to breaches of the Code and Protocol; and
- reporting back to Full Council on progress in achieving these objectives and addressing the cultural issues, within six months of the publication of this Recommendation.

Why/impact

Cultural issues have resulted in significant weaknesses in the Council's governance system, with further planned action now needed to address these issues.

Summary findings

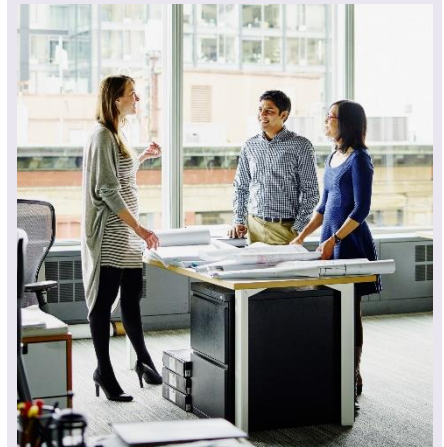
As designed, the Council's governance arrangements should be robust. The Council's Code of Corporate Governance is publicly available on its website which is based on the CIPFA/SOLACE "Delivering Good Governance in Local Govt: Framework" and the seven principles of good governance. However, the arrangements in 2021/22 and 2022/23 were undermined by poor working relationships between certain officer and members. In our view, this led to a break-down in the operating effectiveness of some governance arrangements at the Council and we consider that a significant weakness existed in governance arrangements in both 2021/22 and 2022/23.

Management Comments

The Council has a Zero tolerance policy on bullying in line with the LGA Model Code of Conduct. Refresher training will be provided to members moving forward to include specific examples to help understanding. The Member/Officer Protocol will also be reviewed to include specific examples.

In terms of appointing an independent facilitator, the Council is already implementing a number of resolutions which are effectively covering this recommendation. Regular reports are going back to Cabinet on implementation of these and a number of actions have already been implemented. We have implemented governance changes including Executive Leadership Team meetings with the Leader, Group Leader meetings, all member briefings, formal portfolio holder briefings. We have engaged and are awaiting a report from the Centre for Public Scrutiny. Everything we are doing enhances and builds upon the positive joint work that has been undertaken.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



Recommendation 2

The Council should provide a mandatory induction programme for new and returning members, to ensure a good understanding on the part of all members of:

- the difference between their roles and that of the Council's officers and the importance of respecting and observing the boundaries between those roles;
- the specific statutory duties and powers of the chief executive, Section 151 officer and monitoring officer roles and their responsibilities to the Council; and
- the Council's legal and ethical responsibilities as an employer and their duty of care to all employees.

Why/impact

Clear understanding of roles and responsibilities will serve to support an appropriate culture of challenge and respect that both officers and members can work within.

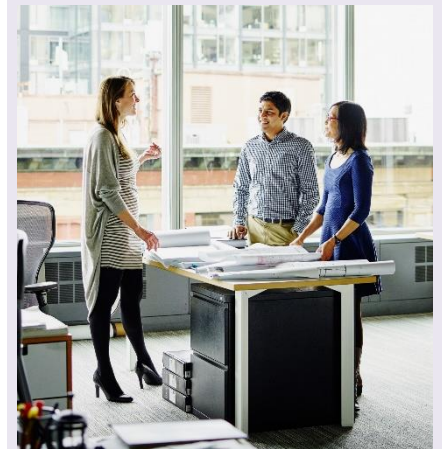
Summary findings

We saw evidence that suggested that among some members there was sometimes a lack of understanding of the roles and responsibilities of officers and members, which could impact upon decision making, and linked to some of the cultural issues we identify earlier.

Management Comments

We already have a mandatory induction programme which was refreshed and renewed for the 2023 elections. Members received training on standards in public life which covered, the statutory officers, the distinction between officers and members and the boundaries between them. We will also be doing further training following a review of the Member/Officer Protocol which will cover the elements identified in this recommendation.

The range of recommendations that external auditors can make is explained in Appendix C.



Key recommendations



Recommendation 3

The Council should strengthen governance arrangements by:

- providing specific training for members of the Overview, Scrutiny and Audit and Governance Committees to ensure a better understanding of their roles and responsibilities, including the importance of demonstrating independence of mind, attending meetings, asking effective questions and maintaining an a-political nature; and
- developing an annual forward plan for the Overview and Scrutiny Committees to ensure they hold the Cabinet to account as a critical friend for the delivery of the objectives in the Council Plan.

Why/impact

Clear understanding of the roles and the importance of the Committees will ensure that they are effective.

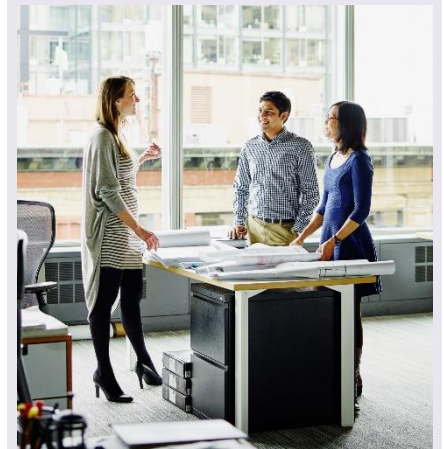
Summary findings

Poor attendance, significant changes to membership and cancelled meetings suggest ineffective Committees and outcomes.

Management Comments

Members of the Overview, Scrutiny and Audit and Governance Committees received comprehensive training as part of the Induction in the summer of 2023. In addition, the Centre for Public Scrutiny has reviewed the Scrutiny arrangements and their report is due in December 2023. This will lead to a number of recommendations for Councillors to consider and will cover the recommendations above. We have also asked them to look at the Forward plan as part of that process, including the robustness of attendance at meetings. We have been working on the Forward plan and have seen a significant increase in the number of items being included.

The range of recommendations that external auditors can make is explained in Appendix C.



Improvement recommendations: Governance



Governance

Recommendation 4

The Council should review its policy on exemptions to contract standing orders to ensure clarity about the appropriate criteria for exemptions and provide refresher training on this area, including examples of inappropriate criteria. It should also strengthen forward planning processes to ensure that decisions to award contracts are made in a timely way which enables appropriate scrutiny and avoids the need for exemptions.

Why/impact

Exemptions from contract standing orders may be justified on the grounds of urgency or unanticipated circumstances. However, if they are used because of a failure to plan or to avoid following a rigorous procurement process, the Council is a risk of failing in its duty or could mean ineffective procurement or potential challenges.

Auditor judgement

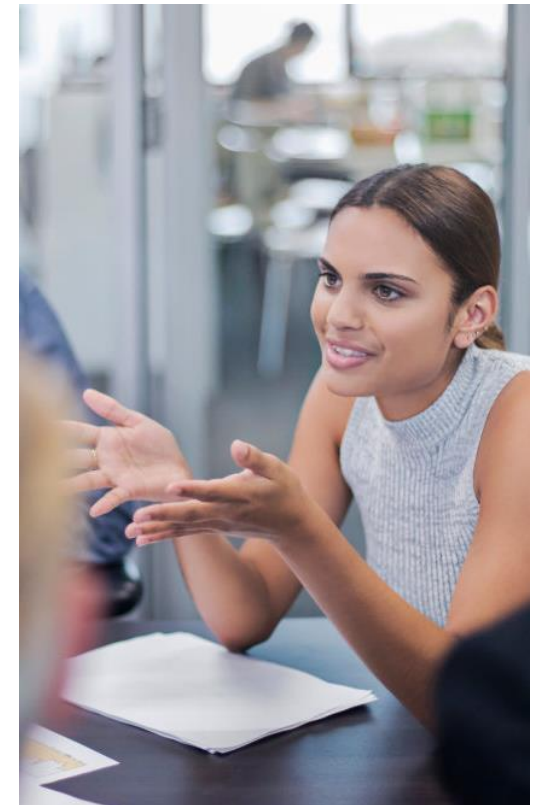
Most exemptions to standing orders were made as a result of administrative issues, rather than any more serious underlying problems. Ensuring contracts are awarded in a timely manner enables appropriate scrutiny and avoids the need for exemptions.

Summary findings

We identified several examples of exemptions from contract standing orders at Cabinet - between May 21 and February 22 there were 7 examples and 2 in March 21. Explanations include 'confusion due to remote working'.

Management Comments

We agree with the recommendations and a proposal for internal procurement support is being included in our budget for 2024/25. This will help with training and strengthen procurement arrangements within the Council, including the issues identified in this recommendation.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations: Governance



Governance

Recommendation 5

- The Council should develop and implement a strategic corporate engagement plan by:
- mapping existing engagement activity;
 - identifying gaps in engagement with communities;
 - ensuring it understands any special needs;
 - ensuring users of services have input to major strategic decisions;
 - building trust; and
 - identifying opportunities for co-production and effective partnership working.

Why/impact

The Council's Engagement Strategy was written in 2008 and updated in 2015, so it is very much out of date. Effective engagement with users and residents is essential to develop relationships of trust and to gather data about users' needs and resident's views.

Auditor judgement

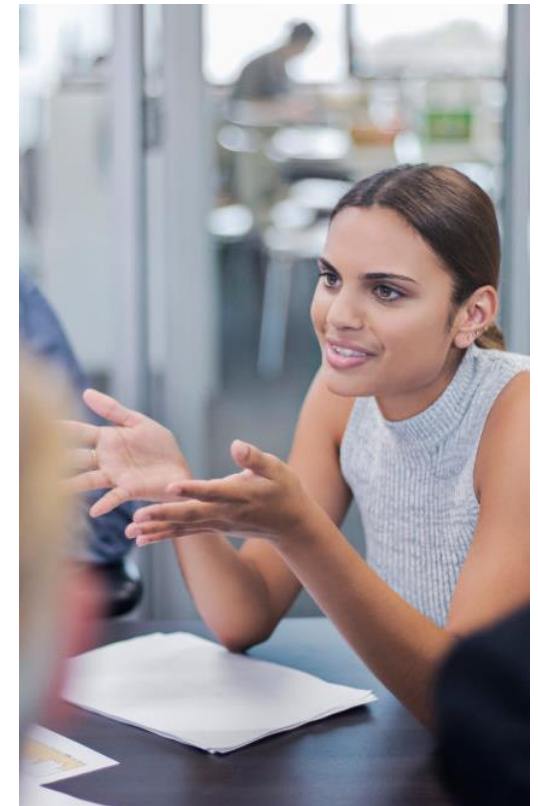
The Council does not have an up-to-date, strategic and corporate approach to engagement, and this reduces their ability to gather essential data and build relationships of trust with residents. The Council does wish to engage with communities, but it lacks a consistent, corporate approach that would enable engagement to be planned to inform every strategic decision and change to services.

Summary findings

Opportunities to engage are currently being missed. For example, there was no consultation with residents on the Budget and tenant participation is inadequate. Statutory business consultation was carried out by emailing business representatives and asking for comments, which does not encourage active participation by the business community. We do appreciate that this time period was heavily impacted by the Covid-19 pandemic which made engagement more challenging.

Management Comments

We agree with the recommendation and have already identified this as a key priority. We have recruited an officer to lead on engagement and plans are being devised in order to address these points. We are also having a Peer Review and have asked for a Peer with community engagement expertise to look specifically at this area. The outcome of the review will therefore factor into implementation of these recommendations moving forward. A focus of the development of our council plan has been to specifically engage with our key stakeholders.



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations: Governance



Governance

Recommendation 6

The Council should ensure the consistent application of the corporate framework for understanding and managing risk by:

- developing a proactive, forward-looking approach to risk management;
- improving timeliness of reporting risks to the Audit and Governance Committee;
- aligning risk scoring and control assessment;
- mapping risks to strategic objectives;
- documenting sources of assurance and direction of travel in relation to the management of risks; and
- focusing on key risks, such as major capital projects and issues around recruitment, staffing and skills.

Why/impact

The reporting of operational risks in November following their review in May/June occurs five months after any updates have been made, and therefore the update may no longer be current. The current approach is passive rather than proactive and there is a potential that risks are not managed in the most appropriate way.

Auditor judgement

We conclude that processes and arrangements to manage risk are in place but that the system is not being fully utilised to manage real risks. This would also be strengthened by the linking of risk to strategic objectives as recommended in the 2020/21 Auditors Annual Report.

Summary findings

The current approach to risk management is not sufficiently proactive or robust. There are weaknesses in the system which impact on the Council's ability to understand and manage risks effectively.

Management Comments

We agree with the recommendations and some of these areas have already been addressed. We have held an Senior Leadership Team workshop to review existing processes but also to look at horizon scanning for future risks. Reporting to Audit and Governance has now been rescheduled to make them timely. All risks have been linked to the Council Plan priorities and we are reviewing how mitigations are evidenced to members moving forward.



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations: Governance



Governance

Recommendation 7

The Council should review its partnerships to identify what outcomes they deliver and how they contribute to the achievement of the Council's objectives, as set out in the Council Plan.

Why/impact

The Council engages in several partnership arrangements, for a variety of purposes. All partnership working incurs actual costs or opportunity costs, so it is important that the Council ensures that partnerships are helping to deliver the objectives set out in the Council Plan.

Auditor judgement

Although partnerships are reviewed annually, there is no evidence that the outcomes of partnership working are measured or that partnerships are linked to the Council Plan.

Summary findings

The Council completes an annual review of non-commercial partnerships which tracks meetings, activity and any budget issues arising, and is presented to Audit Committee to monitor the status of these partnerships.

Management Comments

We agree the recommendation and will review the approach to ensuring partnership activity is included in the wider district outcomes.



The range of recommendations that external auditors can make is explained in Appendix C

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2021/22

The General Fund outturn was a deficit of £0.05m and represents a variance of only 0.28% from the £16.3m budget. Within this were positive income variances of £1.2m for business rates and £0.5m for council tax, and we note that the total rateable value of businesses for the district has grown by nearly 25% in the last 7 years. £0.9m was transferred to the Medium-Term Financial Plan (MTFP) Risk Reserve and a £0.5m contribution to General Fund was made (based on a favourable Covid-19 grants impact of £0.6m) to compensate for prior year Covid-19 overspends on Leisure East Devon (LED).

This provides evidence that revenue budget management arrangements were effective during the year, given that the outturn was delivered so close to plan.

The capital programme slipped by £9.5m with spend of £8.3m compared with budget of £17.8m. The underspend is attributed to scheme slippage due to ongoing pandemic impacts which need to be re-profiled into the following years (see also page 19).

The HRA outturn was a surplus of £2.2m, £1.2m higher than budgeted. The main contributors were vacancies in staffing and underspend on major repairs. £0.5m was allocated to the Housing Task Force earmarked reserve as a result of higher than budgeted business rate income.

Short and medium-term planning

Initial plans for 2022/23 identified a £3m budget gap. However, changes in government plans for business rate income and new homes bonus payments were delayed, reducing the budget gap to £0.7m, significantly less than the financial plan adopted in the MTFP.

Uncertainty regarding three key cost areas (Recycling and Refuse, the LED Service Level Payment and the Authority-wide independent pay review) has been factored in by including a budget of 75% of the maximum sums expected, which appears a reasonable approach. Members chose to increase parking income (with a 20% adjustment for decreased demand, again a reasonable approach) and to make use of Earmarked Reserves (including £0.1m from the Transformation Reserve) and the Collection Fund surplus. The Council also budgeted for £70k of savings which given its turnover is not a significant amount and should be achieved. This resulted in a net Revenue General Fund Budget of £14.4m.

It was acknowledged that the use of reserves to balance the budget was not a sustainable approach and we agree with this sentiment. As the use of reserves for 2022/23 is relatively modest and acknowledged as not being a longer-term solution, we do not consider that this currently represents a significant risk.

A key factor in supporting the Council's financial plan is the growth in baseline business rate funding, which is assumed to continue under the existing arrangements. The Council acknowledges the significance of these contributions and maintains a risk reserve to mitigate any unexpected or short notice changes. The value of the funding is significant - £2.9m in 2022/23 with increases of £0.1m per year through to 2025/26 where it is £3.2m. Assumed growth above baseline is £2m for the 2022/23 budget, with £3.1m in 2023/24 and 2024/25 falling to £0.2m in 2025/26. Whilst this is high and does create a potential budget vulnerability, the review has been delayed until 2025/26 and therefore to date, there is nothing to suggest that these assumptions are not appropriate.

The MTFP uses the most recent approved budget as its baseline and then adjusts for known and planned changes. These include:

- £1m phased over 3 years for the resource implications on delivering a possible new town in the district;
- £0.7m for the full cost implication for the new recycling and waste contract;
- £0.3m per annum for initiatives including the work outlined in the Financial Sustainability Plan;
- staff salaries net cost over the budgeted sum in the General Fund of £0.6m;
- key front line service staff (£0.7m);
- IT support and development (as yet unquantified but with some flexibility in the existing budget based on the savings levels achieved); and
- changes to the local Council Tax support scheme and Poverty Strategy.

The Council has also considered the potential implications of the Levelling Up and Regeneration Bill, council tax increases, changes in the new homes bonus scheme, inflation and interest rates. Inflation rates at varying levels have been applied to different types of expenses and are stated to be in line with OBR forecasts.

We consider that overall the Council's short and medium-term financial plans adequately reflect the impact of key expenditure drivers and information known at the point of their creation.

The 2022/23 Capital Strategy confirms that the Commercial Investment Framework is being reviewed to reflect new PWLB borrowing rules and the revised CIPFA Treasury Management Code and Prudential Code. The Strategy includes consideration of the Revenue Budget Implications but this relates only to the funding of the capital project and does not include any reference to any ongoing revenue implications for the running and future maintenance for a capital project, see improvement recommendation 8.

Overall, we consider that arrangements in place to develop and update the MTFP are appropriate.

Bridging funding gaps and identifying achievable savings

The Council is clear about the nature of the challenge ahead in balancing its budget and managing forecast deficits in the medium term. Annually the budget is thoroughly considered by the Senior Management Team (SMT) and Members in well-established processes. For longer term planning, the Financial Plan 2023 - 2033 considers the General Fund, Capital Programme and Housing Revenue Account over a ten-year period and comprises two parts:

- the Medium-Term Financial Plan (MTFP); and
- a Financial Sustainability Model (FSM).

The FSM provides the framework for the Council to consider how it rebalances its finances and meets future resource requirements based on a number of core principles such as financial stability, a balanced budget, the prioritisation of spend in line with the Council Plan, and maximising the use of assets.

The latest iteration of financial plans show a cumulative gap in 2023/24 of £0.6m, rising to £1.5m in 2024/25, and £5.3m in 2025/26 due to the government funding reforms.

The FSM sets out steps for how the Council will balance its finances in future through a number of service reviews using techniques such as Systems Thinking, Digital Transformation and Performance Management data. Six enablers are identified, with a Lead for each one, led and co-ordinated by the Strategic Lead for Finance. If implemented, this should provide the Council with plans to drive the necessary changes to continue to deliver services. We have made improvement recommendation 9 to ensure that the Council puts effective monitoring and reporting of the mechanisms in place. Contingent upon that we consider that the Council has adequate arrangements in place to develop savings schemes in relation to future deficits.

The Financial Plan factors in uncertainty and potential volatility by including some sensitivity analysis of the financial impact of changes in Council Tax levels and inflation. It also has some contingency planning through the MTFP risk reserve and a number of other General Fund risk reserves such as the Business Rate volatility Reserve (£4.6m), Transformation reserve (£2.5m) to support spend to save and the Asset Maintenance Reserve (£0.8m).

Monitoring of the achievement of savings is currently undertaken as part of the normal budget monitoring process, which uses variance tables to identify predicted adverse and favourable spends compared to budget rather than separately reporting on savings. We have recommended that robust savings monitoring is undertaken in future, see improvement recommendation 10. At the time of our review, the most recent current year financial monitoring report (to the end of July 2022, presented to Cabinet in September 2022) forecast a favourable year end position. We noted that there were no further published financial monitoring reports for 2022/23 as at early February 2023 and we therefore raised a improvement recommendation 10 to reflect that reporting to members should be completed on a regular and timely basis. In addition, the General Fund summary in the only 2022/23 report shows that no progress had been made on the relatively modest savings target of £70k. As savings targets are forecast to increase in future years it will become increasingly important to ensure that savings planning and reporting is fully considered.

Budget variances are not yet reported at service level, as presented in the annual budget book. This was accepted as a recommendation in our 2020/21 Auditors Annual Report and should be implemented as agreed (see page 33). As savings requirements increase in the near future, the Council should ensure that savings planning is fully considered and delivery is monitored robustly and independently of the usual corporate budget monitoring process.

Ensuring that the financial plan is consistent with other plans

The draft service plans, aligned with the Council plan, are reviewed with the draft budget by the SMT and Members. The service plans include workforce planning (FTE, headcount, turnover). The MTFP considers the affordability of the capital programme and sets out that capital expenditure planning will include revenue implications. However, the published Revenue and Capital Estimates for 2022/23 do not explicitly identify any revenue impacts resulting from capital expenditure and we recommended that this is undertaken through improvement recommendation 8.

The Capital Strategy published in January 2022 does include an analysis of the revenue budget implications of the Council's Capital Financing Requirement and Minimum Revenue Provision which is forecast to increase from £0.2m in 2020/21 to £0.8m in 2024/25.

Planning finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council has balanced the budget in recent years without the need for service reductions. Financial planning makes a clear distinction between delivering core statutory services and discretionary areas of spend. The detailed service budgets (Revenue and Capital Estimates 2022-23) identify mandatory, discretionary or support activity for each service, together with the relevant staff numbers, service/event and assets and there is evidence of prioritising discretionary spend to support the Council's Plan. A coherent link between corporate strategic priorities and the design of the budget is evident in the priority actions spreadsheet which links plans with funding. The link is also supported by the output from planning workshops in early 2021/22 and by consideration of the draft budget by the joint committees alongside the service plans. This provides ample opportunity for Members to review and ensure alignment between Council plans and priorities and the budget.

The net capital budget was £17.8m in 2021/22 with outturn of £8.3m, attributed to scheme slippage to be re-profiled into 2022/23 and beyond. The details of slippage in the Financial Monitoring Reports are reported at only a high level as part of the Financial Monitoring reporting, with no details or breakdown of the changes on projects and we made a recommendation in our 2020/21 Auditors Annual Report to improve capital reporting which remains outstanding. We further follow up all recommendations from our 2020/21 interim Auditors Annual Report from page 31. It is important to ensure that action against recommendations is made in a timely manner to ensure appropriate progress is made.

The January 2022 Report to Cabinet confirms that the capital budget has been directed and considered by the Budget Setting & Allocation Panel who met on 2nd December 2021 to consider scheme proposals. The Panel considered the funding resources available, the capital appraisal process and then each scheme proposal in turn. We consider that the arrangements in place aim to build a capital programme that will deliver Council priorities and meet set outcomes, with each scheme scored against set criteria that cover the Council Plan, risk, service provision, carbon implications and funding. We conclude that the Council has sound arrangements in place to align the use of capital resources with corporate priorities and makes sense within the overall financial context.

Improvement recommendations: Financial sustainability



Financial sustainability

Recommendation 8

For completeness, when the Capital Strategy is updated it should include reference to the need to consider long term revenue implications of capital spend.

Why/impact

To ensure that any ongoing revenue costs are factored in as part of capital investment plans. This will ensure that decisions are taken using the most appropriate financial information and that the true cost of capital schemes can be considered and understood. This will help to ensure decisions are well informed.

Summary findings

The 2022/23 Capital Strategy includes consideration of the Revenue Budget Implications (in Section 3) but this relates only to the funding of the capital project and does not include any reference to any ongoing revenue implications for the running and future maintenance for a capital project.

Management Comments

Information is captured in capital bid process will now captured in 2024-25 Capital strategy



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations: Financial sustainability



Financial sustainability

Recommendation 9

The Council needs to ensure that effective and timely oversight and reporting is in place for the work being delivered through the Financial Sustainability Model, including the implementation of Firmstep and the outstanding internal audit recommendations.

Why/impact

The Council needs to maintain its focus on managing the potential funding gaps and uncertainties relating to future government funded support in order to ensure that it remains financially sustainable. Key transformation plans form a part of the Council's response to the risk and must be managed appropriately to ensure that they deliver the anticipated benefits.

Summary findings

The Financial Sustainability Model sets out steps for how the Council will balance its finances in future through a number of service reviews using techniques such as Systems Thinking, Digital Transformation and Performance Management data.

The Firmstep project, which is part of the Council's Digital Transformation work, has been delayed along with the implementation of internal audit recommendations arising from a Limited Assurance report (see page 25)

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C

Improvement recommendations: Financial sustainability



Financial sustainability

Recommendation 10

The Council needs to ensure that quarterly financial monitoring reports are provided as planned. Savings delivery should be monitored robustly and independently of the usual corporate budget monitoring process.

Why/impact

To ensure that the Council is able to effectively monitor the Council's financial position, regular monitoring and reporting should be undertaken. By not reporting budget performance regularly, Members and the public cannot scrutinise performance or receive assurances over financial performance. There is a risk that financial challenges are not identified in a timely manner and that appropriate action cannot take place.

Summary findings

At the time of review, the most recent current year financial monitoring report (to the end of July 2022, presented to Cabinet in September 2022) forecast a favourable year end position. We noted that there were no further published financial monitoring reports for 2022/23 as at early February 2023.

In addition, the General Fund summary in the only 2022/23 report shows that no progress had been made on the relatively modest savings target of £70k. As savings targets are forecast to increase in future years it will become increasingly important to ensure that savings planning and reporting is fully considered.

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council acknowledges that further work needs to be done with regards to the use of benchmarking data and is developing the arrangements it has in place through the performance management information workstream in the Financial Sustainability Model (see improvement recommendation 11).

From our analysis, the Council's unit costs are benchmarked as low compared to the nearest group. Budget and spend broadly align suggesting that the Council is predicting costs reasonably accurately and is not significantly off target year on year. Some of the Council's unit costs in business support and development control have a comparatively very high unit cost, with economic research and environmental initiatives very low. Of these the development control budget is the most significant at around £1.5m. However, when comparing the development control unit costs with the Council's nearest neighbours, it is not out of line. There may be some scope to reduce unit costs so this is an area which would be worth further consideration and scrutiny.

Unit costs in total environmental and regulatory services are also very high compared with the nearest group. This category of spend comprises a large number of lines and variations, and includes a wide range of council activities but the values are not significant. These areas may also be worth investigating further.

The CIPFA Resilience Index does show 3 indicators of financial stress in terms of the ratio of interest payable and net revenue expenditure (excluding HRA), gross external debt and growth above baseline (which is calculated as the difference between the baseline funding level and the

retained rates income). The latter potentially creates a budget vulnerability depending on the outcome of the Fair Funding Review, which we reflect in the financial sustainability section. However, this review has now been delayed until 2025/26.

The Director of Finance confirmed that the Council is aware of high costs in planning and development and that this is an area for focus, but could be due to high staff costs created by use of interims and contractors to cover staff vacancies. Business support is also a recognised area of comparatively high cost as the Council has focused on driving income through business rates.

We consider that there are areas of improvement for arrangements, but that no significant weaknesses exist.

Key performance indicators and performance monitoring

The Council's systems record and report performance indicator data and it has well formed structures in place to achieve this, although we observed that there is a risk of a disconnect between the Council Plan and the service plans. Performance Reports were presented to the Scrutiny Committee in April 21 (Q3 20/21), July 21 (Q4 20/21), March 22 (Q3) including RAG rated performance indicators.

The KPIs are connected to two of the three Council Plan 2021 - 2023 priorities, approved in October 2021:

- Better homes and communities for all; and
- A greener East Devon.

The third section of the KPI report is under the heading "services that matter" and includes KPIs on Council tax collection, planning appeal decisions, FOI response times, missed bin collections, etc.

The third priority of the Council Plan - A resilient economy - does not yet feature in the KPIs and the Council should ensure that KPIs are developed to measure progress against this, see improvement recommendation 12.

We identified that in 2021/22 the Council adopted a different approach to developing the Council Plan, using a series of online workshops which were Member-led by design. We understand that officers were present at the workshops. After a structured development process, followed by review and approval at the Overview and Scrutiny Committees and Cabinet, the Plan was published in October 2021. The Management Information Officer completed an analysis (in 2022/23) of progress against performance indicators, including Council Plan actions, and there are a number where there is a gap in the explanatory narrative and a gap in identifying which is the responsible service area (see improvement recommendation 12).

We note that there is usually a delay of around three months in reporting key performance information. While this is not unusual in local government, it is slower than good practice suggests is possible and reporting on a more timely basis would provide more real time information to Members to enhance decision making (see improvement recommendation 11).

Alongside the update of the Council Plan, the MTFP, the budget and the service plans are reviewed and updated. The January Joint Overview and Scrutiny Committee considered the 2022/23 service plans for each area and the Housing Review Board considered the housing service plan. Service plans set out activities by Strategic Priorities so this is an opportunity for Members to ensure alignment with the Council's priorities. These include a small number of performance measures and indicators, but the indicators we reviewed (for example in Place, Assets and Commercialisation, and in Growth, Development and Prosperity) are mainly activity rather than outcome based – see improvement recommendation 12.

The performance reports received by Scrutiny show updates on delivery and use RAG ratings to rank achievement. Service Plan objectives are reported by progress towards the outcome of the three Council Priorities. The minutes of these meetings are also received and noted by Cabinet. The Housing Review Board also receives detailed quarterly housing performance reports which include quarterly performance of KPIs such as rent collected, repairs completed on time and affordable homes delivered.

However, in 2021/22 a combination of cancelled meetings and meetings adjourned partway through agendas, leaving meetings inquorate, meant that performance was only formally reported once, at the meeting in April 2021. Two meetings were cancelled (in July and December 2021) and performance reports were carried forward on two consecutive occasions (in January and March 2022). These meeting cancellations and delays weaken the Council's performance monitoring arrangements (see also page 6).

Assurance over the accuracy of financial and performance data

The Council does not yet have a data quality policy but is working on developing this with its Strata partners. We made a recommendation on this in our 2020/21 Auditors Annual Report. A copy of data strategy slides shared with us show that consideration is being made in all of the areas that we would expect.

A level of assurance over the accuracy of financial and performance data is also available from the reviews of KPI data carried out in the service areas and by the SMT before information is shared with Members, demonstrating that the council has implemented processes to sense check the data. Financial processes are also included as part of Internal Audit's plans and remit and Strata is subject to Internal Audit by the Devon Audit Partnership.

Overall we consider that the Council has adequate arrangements in place in this area which will be further enhanced by the data quality policy which is currently under development.

Learning from other organisations to improve performance

As we noted last year, the Council did have a Peer Review in 2019 and an action plan was developed and originally approved but not implemented. Therefore no action has been taken in response to the review. The Council is planning to revisit a Peer Review in 2023/24.

A data breach reported to the Information Commissioner's Office (ICO) provided some recommendations which have been passed to Strata for implementation, but the ICO concluded that there was no risk of a data breach due to the nature of the incident.

In conclusion, the Council makes some use of learning from other organisations but needs to strengthen its approach by implementing the actions and recommendations made by external bodies that are currently underway.

Service evaluation

In general the Council can demonstrate that it has met relevant service standards and that it has arrangements in place to assess performance and identify areas for improvement. This can be evidenced through the Q4 2021/22 Performance Outturn (Scrutiny July 2022) which reports on 27 Council wide performance indicators, with only three showing as “of concern” status.

We noted that the percentage of Stage 2 complaints responded to within stated timeframes was 60% at Q4 compared with a target of 100%. This was attributed to delays in receiving service feedback and complaint complexity and is not highlighted as “of Concern” in the report. This indicator was consistently not met throughout the year and our discussions with officers highlighted the increased workload on staff in the complaints team and a lack of resilience. The Council has seen an increase in corporate complaints and FOI requests, but more markedly in housing (mainly in relation to repairs). Councillor Code of Conduct complaints were transferred back to the Monitoring Officer from the complaints team last year due to workload and the possibility of recruiting an admin officer to support the team is under consideration currently. It is important that the Council takes action to ensure that complaints are responded to appropriately and within its target timescales – see recommendation 13.

During 2021/22 there were 5 referrals of complaints to the Housing Ombudsman and of these 4 were found to involve maladministration, resulting in EDDC appearing (in December 2022) in the Housing Ombudsman's list of Landlords with high maladministration findings (at 89%, one of the highest in the country).

Review of the latest report to the January 2023 Housing Review Board shows that “Formal complaints have continued to increase from 32 received in 2018/19 to 138 received in 2021/22. In the current year (2022/23) we have received 54 in the first 6 months (April to Sep).” This report shows a list of recommendations from the Housing Ombudsman which have been agreed for implementation by the meeting. Officers are meeting regularly to try and progress the issues raised. This is a known issue and whilst positive steps have been taken through the action plan, the mechanics of reporting to Members are still to be defined. An internal audit has also been scheduled. We have raised an improvement recommendation in respect of this, see recommendation 14.

Our Auditor’s Annual Report for 2020/21 presented to the March 2022 Audit & Governance Committee made 18 recommendations (see ‘Follow-up of previous recommendations’ section below) which shows recommendations still not yet implemented.

We recommended in last year’s Auditor’s Annual Report that “The progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations as part of the quarterly SWAP progress reports”. The last published Internal Audit progress report provided to the Audit & Governance Committee in November 2022 did not include this. Our discussion with SWAP highlighted that internal audit have been progressing monitoring implementation and that a dashboard has been developed and shared with senior management at the Council. Internal audit confirmed that the dashboard was included in the papers for the January 2023 Audit and Governance Committee but this was cancelled so the dashboard only went to the Chair and Vice Chair. We also note that the Risk Management audit published in January 2022 identified that progress following a 2018 Risk Management report had not been made.

Firmstep, part of the Council’s digital transformation work, was given a limited assurance internal audit conclusion by SWAP with a follow up of arrangements and progress against recommendations planned in 2021/22. The actions had a revised implementation date of July 2022. We now understand that this work has been pushed back to 2023/24, as a result of a reset in the project, so we have reflected that the project should have effective and timely oversight as part of our recommendation on the implementation of the Financial Sustainability Model (improvement recommendation 9). In addition, the Small Works and Services Contract Management – Follow up Audit was completed in December 2022, after the original audit in January 2022 gave a limited assurance opinion. The follow up found that of four recommendations made, none are fully complete.

We conclude that the Council technically has appropriate arrangements in place to act on recommendations arising from external reviews, but in practice the pace of implementation could be increased and the response to external feedback of this nature is not always positive. Our prior year recommendation in respect of progressing internal audit recommendations therefore remains open and is further evidence that implementation pace should be increased.

Significant partnerships and engagement with stakeholders

Partnership review reports were presented at the Audit and Governance Committees in September 2021 (2020/21) and November 2022 (2021/22). The Council has an up-to-date Partnership Policy, last updated in August 2021 and published on its website. It sets out a clear definition of a partnership and provides clear governance and reporting arrangements. The annual partnership review also provides a regular annual checkpoint to monitor the partnerships and related service delivery, however as already noted we recommend that partnership reviews identify what outcomes they deliver and how they contribute to the achievement of the Council's objectives (recommendation 7).

page 45 We have not identified that the Council has incurred significant financial losses or failed to deliver when working through significant partnerships. The Strata budget monitoring reports show that Strata has over-achieved savings planned, although we note that the meetings of the Strata Joint Scrutiny Committee were largely all either postponed or cancelled during 2021/22. Only one meeting took place in July 2021 which considered the Strata Performance report and Financial Update report. The next meeting took place in September 2022, 14 months later and also considered the Performance report and budget monitoring reports for 2021/22 and 2022/23.

The Council's leisure services, which are run as a contracted out service by LED, have been severely impacted by the Covid-19 pandemic and required a support package. Appropriate arrangements are in place through the monthly monitoring forum operating and reporting to Cabinet, which and has been introduced specifically to monitor LED's performance and financial situation in response to the impact of the pandemic on income generation.

We raised an improvement recommendation in respect of stakeholder engagement – see improvement recommendation 5.

Improvement recommendations: Improving economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness

Recommendation 11

As part of its focus on performance reporting through the Financial Sustainability Model, the Council should review the timescales for reporting KPIs to identify whether any improvement can be made.

Why/impact

Reporting on a more timely basis would provide more real time information to Members to enhance decision making.

Summary findings

We note that there is a delay of around three months in reporting key performance information. While delays of several weeks are not unusual in local government it is slower than good practice suggests is possible.

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations: Improving economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness

Recommendation 12

As part of its focus on performance reporting through the Financial Sustainability Model, the Council should review its KPIs to ensure that they align with all Council Plan outcomes and that they focus on outcomes rather than activity, identifying the relevant service area.

Why/impact

This would ensure that performance is aligned with service delivery and increase transparency for elected Members and local residents.

Summary findings

Service plans set out activities by Strategic Priorities and include a small number of performance measures and indicators, but the indicators we reviewed (for example Place, Assets and Commercialisation, and in Growth, Development and Prosperity) are mainly activity rather than outcome based. There is also not a clear link between KPIs, the Council Plan and then the relevant service area.

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations: Improving economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness

Recommendation 13

The Council should take appropriate action to ensure that complaints are responded to in an appropriate timescale to ensure compliance with their stated timeframe.

Why/impact

Responding to complaints within their stated timescale ensures appropriate performance is maintained and allows the Council to learn from the complaints in a timely manner, ensuring further issues are not created. It also ensures a more appropriate outcome for the complainant.

Summary findings

The percentage of Stage 2 complaints responded to within stated timeframes was 60% at Q4 compared with a target of 100%. This was attributed to delays in receiving service feedback and complaint complexity and is not highlighted as "of Concern" in the report. This indicator was consistently not met throughout the year and our discussions with officers highlighted the increased workload on staff in the complaints team and a lack of resilience. The Council has seen an increase in corporate complaints and FOI requests, but more markedly in housing (mainly in relation to repairs).

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations: Improving economy, efficiency and effectiveness



Improving economy, efficiency and effectiveness

Recommendation 14

The Council must ensure that it responds effectively and at pace to the Housing Ombudsman's recommendations.

Why/impact

The Council needs to put an effective response plan in place to address the Housing Ombudsman's recommendations and to grip the issues which have been identified to ensure an appropriate service is provided and the Council's reputation is not negatively impacted.

Summary findings

During 2021/22 there were five referrals of complaints to the Housing Ombudsman and of these, four were found to involve maladministration resulting in East Devon District Council appearing in the Housing Ombudsman's list of Landlords with high maladministration findings (at 89%, one of the highest in the country). Review of the latest report to the January 2023 Housing Review Board shows that the high levels of complaints is continuing and shows a list of recommendations from the Housing Ombudsman which have been agreed for implementation. Officers are meeting regularly to try and progress the issues raised and have developed an internal issues log as a working document but as yet no formal agreed action plan and reporting on progress against it to Members has been established. There is also no formal link made between the high level of complaints and the Housing Ombudsman's conclusions.

Management Comments

Agree the recommendation



The range of recommendations that external auditors can make is explained in Appendix C.

Follow-up of previous recommendations

page 50

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	Council comment
1	The Council should continue its work in building better Member and officer relations to ensure that the progress made is not lost, seeking the support of external agencies such as the LGA to facilitate this process.	Improvement	May 2022	We have raised key recommendations on page 10 and 11.	Partially	Key recommendation raised.	Appropriate training has been provided in the member induction programme. Further work to do in light of the Grant Thornton Thornton recommendations.
2	The Council should review its position with regard to holding virtual consultative meetings.	Improvement	May 2022	The use of such meetings was reviewed in December 2021 and extended to May 2022. In May 2022 the arrangements were extended until October 2022. In October 2022 a decision was made at Council to return to physical meetings unless legislation permits virtual meetings. However, a request from Members to consider a hybrid solution and receive a report on this in December was not completed.	Partially	Meetings are currently being held in person, as required under the legislation.	We are holding those meetings that we are required to hold in person now in person. We are now installing new equipment in the council chamber to allow for hybrid meetings to allow for full public engagement in those meetings
3	Risks within the strategic risk register should be mapped to corporate priorities.	Improvement	May 2022	None.	No	Recommendation remains. See also improvement recommendation 7 in this report.	Included in the risk register, limitations on reporting but where they are red risks we will report on the impact on the council priorities.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	Council comment
4	The progress made in implementing previous internal audit recommendations should be routinely reported for all high priority recommendations as part of the quarterly SWAP progress reports	Improvement	May 2022	Not yet included in the most recent Internal Audit progress report published in November 2022.	No	Recommendation remains.	Improvements to Reporting by SWAP will meet this. Should be implemented by 2023/24
5	The Council should ensure that it implements the recommendations agreed as a result of the partial assurance audit for information governance and data protection.	Improvement	May 2022	Implementation dashboard provided by internal audit does not yet show this audit.	No	Recommendation remains.	This area has been re-assessed by SWAP with updated recommendations of outstanding points, this along other improvements proposed by the Council's new Monitoring Officer are being addressed in new processes being considered by the Council's Senior Management Team in December 2023.
6	The Council should review the allocation of Members to the Audit and Governance Committee in order to comply with best practice.	Improvement	May 2022	Changes to the Committee membership have been made in line with good practice.	Yes	No	Currently being actioned - looking to appoint two new independent members to the committee

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	Council comment	
	7	The quarterly budget monitoring and outturn reports should include a General Fund Summary with budget, spend and variance at directorate level.	Improvement	May 2022	The 2021/22 Outturn Report included the cost by service lines within each portfolio, compared with budget. The quarterly monitoring reports include a summary of predicted over and under spends by budget line, but the detail at service line within service areas is not yet presented.	Partially	Quarterly monitoring should report to directorate level.	Will be completed for 2023/24
page 52	8	Budget monitoring reports should distinguish between recurring and non-recurring variances that together make up the net revenue position.	Improvement	May 2022	The table of budget variances included in the quarterly monitoring reports do not distinguish between recurring and non-recurring variances.	No	Recommendation remains.	Will be completed for 2023/24
	9	The quarterly capital budget monitoring reports should include more detail regarding forecast slippage on a scheme by scheme basis and similarly the outturn report should identify where variances are attributed to slippage or true underspends.	Improvement	May 2022	The Capital Programme Portfolio Summary included in the quarterly monitoring reports does not yet identify forecast slippage nor slippage versus true underspends.	No	Recommendation remains.	Will be completed for 2023/24
	10	The Council should include the actual inflation assumptions used in financial planning within the Financial Plan, as well as the monetary amounts.	Improvement	May 2022	Detailed inflation rates are included in an appendix to the Financial Plan.	Yes	No	Will be completed for 2023/24

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	Council comment
11	<p>As the Council considers ways to bridge the £3.1m underlying MTFP gap that relates to reductions in government funding it should:</p> <ul style="list-style-type: none"> ensure that the progress made in securing these savings is separately reported to Members, including any in-year savings required to balance the position and also future year savings that will balance the MTFP; ensure that it undertakes sufficient consultation with relevant external stakeholders in order to inform the decision making process for resource allocation. 	Improvement	May 2022	Included in the MTFP and updated Financial Plan.	Yes	No	Complete
12	The key reports relating to setting the treasury strategy and monitoring performance against it should consistently include performance against the budget for MRP, interest payable and receivable. They should also be reported in a timely manner to Cabinet.	Improvement	May 2022	Due in 23/24.	No	Recommendation remains.	Will be completed for 2023/24
13	The Council should ensure that it complies with the revised 2003 Regulations when they are published.	Improvement	May 2022	The Draft Budget book 2023/24 includes the need to factor in external loans as part of the Council's MRP calculation.	Yes	No	Complete

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	Council comment
14	The Council should consider a risk based approach to the assessment of the minimum prudent level of General Fund balances.	Improvement	May 2022	Considered as part of annual budget setting process.	Yes	N/A	In place and operating
15	The Council should consider the need for a data quality policy.	Improvement	May 2022	The draft strategy is under development.	Partially	Data quality policy should be implemented.	Agree
16	The Council should be routinely benchmarking service costs in order to identify areas where efficiencies could be achieved.	Improvement	May 2022	Work to develop performance management data is ongoing and benchmarking is included as part of the Council's Financial Sustainability Model (FSM).	Partially	Improvement recommendation made concerning implementation of the FSM.	Complete
17	The Council should consider arranging for a peer review follow-up visit from the LGA to review.	Improvement	May 2022	Due in 2023/24. IIP accreditation work completed.	Yes	No	Complete
18	The Council should approve a new Procurement Strategy and ensure this is regularly reviewed so that it remains up to date.	Improvement	May 2022	Strategy is up to date.	Yes	No	Complete

Opinion on the financial statements



Audit opinion on the financial statements

We have yet to begin our 2021/22 financial statements audit and the Council has not publicly published its financial statements for 2021/22, although they have been drafted.

We anticipate that our 2020/21 financial statements audit opinion will be issued in Q3 of 2023.

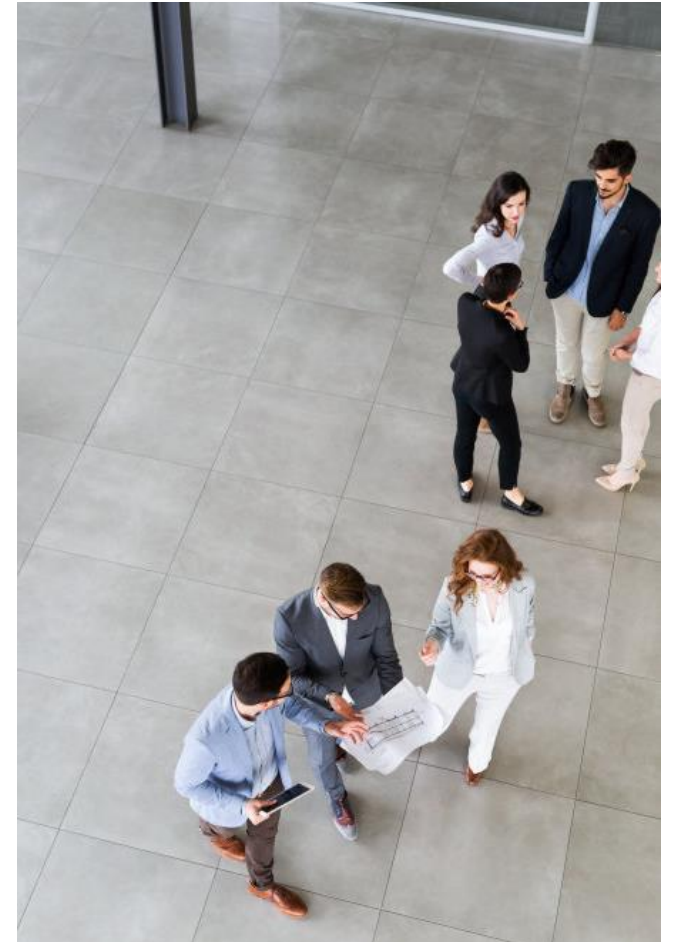
Audit Findings Report

More detailed findings from our 2020/21 financial statements can be found in our AFR, the latest version of which was published and reported to the Council's Audit and Governance Committee in March 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

Our work has not yet begun as we complete this upon conclusion of our financial statements audit.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

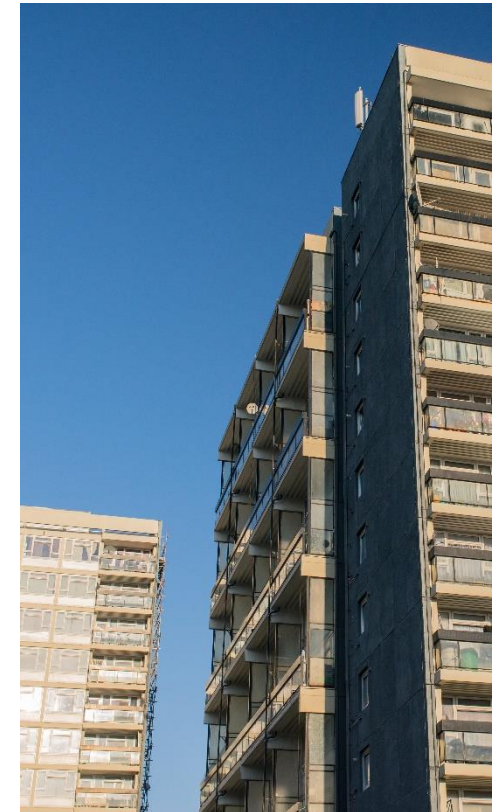
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B – Risks of significant weaknesses, our procedures and findings

As part of our planning and assessment work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
<p>Governance was identified as a potential significant weakness after our detailed work commenced, and this was reported to the Council in January 2023, with discussion at the March 2023 Audit and Governance Committee.</p>	<p>A deep dive of governance arrangements was undertaken, covering:</p> <ul style="list-style-type: none"> effectiveness of officer and member relationships on the Council's governance arrangements; effectiveness of overall governance arrangements; and effectiveness of risk management processes. 	<p>We report summary findings on pages 6 to 16 and concluded that significant weaknesses arose in the Council's arrangements. We raise key recommendations on page 10 to 12.</p>	<p>We raise key recommendations on page 10 to 12 in respect of the significant weaknesses in arrangements.</p> <p>Our work also identified a further four improvement recommendations.</p>

Appendix C – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	Yes	10 to 12
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	13 to 16 (governance) 20 to 22 (financial sustainability) 27 to 30 (improving economy, efficiency and effectiveness)



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Audit and Governance Committee
14 December 2023

Audit and Governance Committee		
Forward Plan 2023/24		
Date of Committee	Report	Lead Officer
18 January 2024	<ul style="list-style-type: none"> • Internal Audit Activity – Quarter 3 2022/23 • Audit Committee update • Strata Annual Internal Audit report • Partnership Review 2023 • Statement of Accounts 	SWAP Grant Thornton DAP Management Information Officer Director Finance
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 	SWAP Grant Thornton Management Information Officer Financial Services Manager Director Finance