Agenda for Audit and Governance Committee Thursday, 19th September, 2024, 2.30 pm

East Devon District Council

Members of Audit and Governance Committee
Councillors: I Barlow, K Bloxham, C Brown, C Burhop (Chair),
R Collins, O Davey (Vice-Chair), C Fitzgerald, S Gazzard,
M Goodman and J Whibley

Venue: Council Chamber, Blackdown House

Contact: Amanda Coombes;

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(or group number 01395 517546)
Wednesday, 11 September 2024

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

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   **Auditor letter on the application of the local authority backstop** (Pages 7 - 9)

8   **Internal Audit Plan 2024-25 - SWAP** (Pages 10 - 21)

9   **Internal Audit Activity Progress report - SWAP** (Pages 22 - 53)

10   **Strata Services Solutions - Internal Audit Report Annual Opinion** (Pages 54 - 73)

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If you are recording the meeting, you are asked to act in a reasonable manner and not disrupt the conduct of meetings for example by using intrusive lighting, flash photography or asking people to repeat statements for the benefit of the recording. You may not make an oral commentary during the meeting. The Chairman has the power to control public recording and/or reporting so it does not disrupt the meeting.

Members of the public exercising their right to speak during Public Question Time will be recorded.

Decision making and equalities

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL

Minutes of the meeting of Audit and Governance Committee held at Council Chamber, Blackdown House on 25 July 2024

Attendance list at end of document
The meeting started at 2.30 pm and ended at 4.11 pm

1   Minutes of the previous meeting

The minutes of the Audit and Governance Committee held on 21 March 2024 were confirmed as a true record.

2   Declarations on interest

There were none given.

3   Public speaking

There were no members of the public wishing to speak.

4   Matters of urgency

There were none.

5   Confidential/exempt item(s)

There were none.

The Chair wished to thank the outgoing Chair of the Audit & Governance Committee Cllr Sam Hawkins for his dedication to this role and wished him luck in his new role as the Portfolio Holder for Finance. He welcomed new Members to the Committee.

6   Audit Plan 2023/24 - Grant Thornton

Peter Barber from Grant Thornton presented the Audit Plan 2023/24. He clarified the independent role of Grant Thornton stating once a year their intention was to sign off the council's accounts, with a secondary role of looking at value for money and that effective arrangements were in place in use of resources.

The Director of Finance in response to a question to why there had been a delay in submitting the accounts explained that staffing resources has been an issue due to the technical skill set required to oversee this work. Members were pleased to see the concerns over the HRA were being looked into by Grant Thornton.

RESOLVED:
That the Audit Plan 2023/24 be noted.

7   Internal Audit Activity Progress report - Quarter 4 2023/24

Lisa Fryer from SWAP presented the 2023-24 Quarter 4 Internal Audit Activity Progress report. The report allowed for monitoring against the planned audits agreed for 2023/24. There was discussion around how items were added to the audit plan and whether budgets were looked at by SWAP. In response Lisa stated items were considered on a risk-base scenario and that anything could be added to the plan, however their role concentrated on processes to assist with good forecasting.

RESOLVED:

That the Internal Audit Activity Progress report - Quarter 4 2023/24 be noted.

8   Internal Audit Annual Opinion 2023/24 - SWAP

Lisa Fryer from SWAP presented the Internal Audit Annual Opinion 2023/24.

RESOLVED:

That the Internal Audit Annual Opinion 2023/24 be noted.

9   Revenue and Capital Outturn Report 2023/24

The Director of Finance informed Members that the report had been presented to Cabinet on 10 July 2024 and then agreed by Council on 17 July 2024. The report was presented to Audit & Governance Committee to provide information of the financial outturn position for 2023/24 and to note the recommendations to Council.

Discussions included the budget position presented to members re the Housing Revenue Account. The Director of Finance reconfirmed the situation that led to this present position. The wait for key information from the housing stock condition survey to formulate a budget that would then allow priority to the areas necessary in terms of expenditure had been an issue. Without knowing what the expenditure would be it was difficult to know what levels the budget should be set for 2024/25.

Discussion also included:
- The Audit and Governance Committee were there to govern and make sure the budget was adhered to. Unexpected borrowing of £2.5m to cover unplanned overspend was a concern. Was the Committee happy there was enough governance on this matter?
- It was not acceptable the housing stock condition survey was not yet completed. Once completed would this put even more pressure on the council's budget.
- The Housing Review Board needed to investigate this and raise questions where necessary.

RESOLVED:

That the Revenue and Capital Outturn position for 2023/24 and the recommendations to Cabinet on 10 July 2024 be noted.

10   Strata Services Solutions - Internal Audit Report Annual Opinion

This item was deferred to the next meeting due to the auditor not being available to present the report. The committee wished their frustration and disappointment noted for this last-minute change to the agenda.

11   Audit and Governance training programme

The Director Finance presented the report which followed on from an Audit and Governance members skills assessment carried out by SWAP earlier in the year. This was with the previous Committee membership but is considered still relevant and will be followed up with a further survey once training has been provided to ensure continuous improvements, to ensure members of the Committee were provided with the right resources to undertake their role.

The work of the Committee was technical, and it was positive to note from the survey that there was a good coverage of abilities overall. Some gaps were identified, most significantly in respect of:
- Governance
- Counter-Fraud
- Treasury Management.

The Chair stated any training would also be open to non-committee members who wished to access this.

RESOLVED:
To consider the training timetable and to adopt a final version.

12   Audit and Governance Forward Plan

Audit and Governance Committee Forward Plan items to be considered at the 19 September 2024 committee included:

- Internal Audit Plan 2023-24
- Internal Audit Activity Progress report
- Audit Progress report and Sector update
- Financial Monitoring report 2023/24 - Month 4 July 2023
- Project review of Housing procurement (Part B)
- Risk Management Review
- Strata Services Solutions - Internal Audit Report Annual Opinion

Attendance List
Councillors present:
I Barlow
C Brown
C Burhop (Chair)
R Collins
O Davey (Vice-Chair)
C Fitzgerald
M Goodman

Councillors also present (for some or all the meeting)
J Brown
J Loudoun
T Olive

Officers in attendance:
Amanda Coombes, Democratic Services Officer

Peter Barber, Grant Thornton
Simon Davey, Director of Finance
Lisa Fryer, SWAP
Anita Williams, Principal Solicitor (Deputy Monitoring Officer)

Councillor apologies:
S Gazzard
J Whibley
K Bloxham

Chair   ....   Date: ....

28 August 2024

To Audit and Governance Committee Chair
East Devon District Council

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Dear Cllr Burhop

East Devon District Council: An update on the application of the local authority backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 is proposed of 28 February 2025.

In this letter, I set out more details of the approach Grant Thornton plans to take in respect of the backstop, and how this is likely to impact your authority. I should be happy to discuss this further including at the next Audit and Governance Committee.

Applying the backstop for years up to 2022/23

As you will be aware, we have not yet signed the audits for years 2021/22 or 2022/23. As previously reported, these audits were delayed due to the 2020/21 opinion audit not being concluded until November 2023 as a result of historic capacity issues within the finance team which combined with national technical issues and subsequent audit team changes that compounded the delay. As a result, it has not been possible to make a timely start on the 2021/22 and 2022/23 post-statements audits. The Council did not publish draft financial statements for 2021/22 until January 2024 and for 2022/23 until May 2024.

We have, however, completed planning and issued an audit plan for the 2021/22 year. We have also completed our Value for Money work for both 2021/22 and 2022/23 and have reported this through the Audit and Governance Committee.

We consider that there will not be sufficient time to conclude our work for both 2021/22 and 2022/23 in advance of the 13 December 2024 backstop deadline. On that basis, our expectation is that we will apply the backstop for the 2021/22 and 2022/23 years. Given that a number of key audit areas remain outstanding, then our audit reports will be issued as a disclaimer of opinion. Effectively this means that we will have been unable to gain the assurance necessary to give an audit opinion by the statutory backstop date.

In plain terms, a disclaimer means that we have been unable to form an opinion. In this instance, the reason for this will be the limitation of scope imposed by statute (not by the local authority). A disclaimer due to the backstop does not of itself indicate a local authority failing. Where however we consider that there have been weaknesses in local authority arrangements for accounts closedown, we will report these in the Audit Findings Report which we produce at the conclusion of the audit. Should we have identified any issues during the audit which ordinarily would have impacted our opinion, we will give consideration to how these should be reported in the disclaimer of opinion.

Before we issue a disclaimer of opinion, we will:

- Report any matters arising from the audit which we need to share with you under the auditing standards; and
- Share the wording of the draft disclaimer of opinion with you.

To help us meet the backstop requirements, please ensure that for both years you have:

- adopted the financial statements in accordance with the requirements of the CIPFA Code and the Accounts and Audit Regulations
- met the requirements under legislation in terms of the rights of local electors to inspect the accounts
- set aside a date for an Audit & Governance Committee in advance of 13 December 2024. In practice, we recommend arranging this in November if possible.

Please also note that we will need a letter of representation from you in respect of each of the financial statements before we issue a disclaimer.

We appreciate that where a full audit has not been completed, an adjustment will be needed in terms of fees. PSAA will be making determinations on this in due course.

The recovery period – 2023/24 an onwards

The government has set out its intention that from 2023/24, auditors should work with local authorities to begin the process of recovery. A backstop date for 2023/24 has been proposed of 28 February 2025, and a date for 2024/25 audits of 27 February 2026.

As part of our commitment to supporting the recovery we have agreed with you a start date for our financial statements audit for 2023/24 and will enter our main phase of fieldwork in the coming months.

The fact that previous audits have been disclaimed brings with it a number of challenges. Not least of these is the fact that we will not have assurance over the opening balances in the financial statements for 2023/24. In addition, there are risks that the allocation of funds between different reserves could be misstated, and also that prior year errors in areas such as the Minimum Revenue Provision could have gone undetected.

Our intention is that over time we will re-build assurance in respect of prior years. The NAO and FRC are currently working on guidance to support auditors and we will update you as and when this is received. In the meantime, recognising that the next backstop date is set for 28 February 2025, our intention is to prioritise (amongst other things) the following areas:

- Risk assessment and evaluation of the control environment for 2023/24 including ISA 315 assessment
- Audit of closing balances as at 31 March 2024
- Audit of income and expenditure and movements within financial year 2023/24 and associated cut off testing
- Testing of journals within 2023/24
- Testing of Movement of Reserves statements and other primary statements (within the constraints that we will not have opening balance assurance)
- Financial statements disclosure testing
- Recognising the sensitivity of cash, we propose to look at the opening cash position as at 1 April 2023.

Our current aim is to be able to complete the above work by the end of January 2025. We will provide an Audit Findings Report to those charged with governance setting out the findings from our work and any key outcomes.

At this stage, given the inherent challenges outlined above, we consider that it is unlikely to be possible to undertake sufficient audit work by 28 February 2025 that would enable us to regain full assurance on opening balances, or on prior year property valuations.

The consequence of this is that there is a strong possibility audit year 2023/24 will be disclaimed in respect of opening balances. We are working with the NAO and FRC to identify the best way to regain full assurance and return to a clean opinion as quickly as possible over the coming years.

We will keep you updated on the progress of our work. Do please ensure that a suitable Audit & Governance Committee date is arranged in advance of the 2023/24 backstop date of 28 February 2025. We recommend that a late January 2025 would be ideal.

Looking ahead

We recognise these are unusual and difficult times for all authorities that will be subject to the backstop. We believe that public confidence is best enabled by returning to a position of timely audit reporting and clean opinions as soon as possible. We will work actively with you and others in the sector to do our best to achieve this.

Yours sincerely

Jackson Murray, Key Audit Partner 2021/22 and 2022/23

Peter Barber, Key Audit Partner 2023/24 onwards

For Grant Thornton UK LLP

CC Director of Finance

Report to: **Audit and Governance Committee**

Date of Meeting 19 September 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Plan 1 October 2024 to 31 March 2025

Report summary:

Internal Audit Plan 1 October 2024 to 31 March 2025

Is the proposed decision in accordance with:

Budget   Yes ☒ No ☐

Policy Framework   Yes ☒ No ☐

Recommendation:

The Committee is requested to approve the Internal Audit Plan for 1 October 2024 to 31 March 2025.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee approves 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
☐ Culture, Leisure, Sport and Tourism

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)

☐ A supported and engaged community
☐ Carbon neutrality and ecological recovery

☐ Resilient economy that supports local business
☒ Financially secure and improving quality of services

East Devon District Council

2024/25 Internal Audit Plan
1st October 2024 to 31st March 2025

Internal Audit ▪ Risk ▪ Special Investigations ▪ Consultancy

The Internal Audit Plan: Summary

The internal audit plan is a summary of the proposed audit coverage that the internal audit team will deliver throughout the 2024/25 financial year.

Delivery of an internal audit programme of work that provides sufficient and appropriate coverage will enable us to provide a well-informed and comprehensive year-end annual internal audit opinion.

Introduction and Objective of the Internal Audit Plan

Internal audit provides an independent and objective opinion on the council's risk management, governance, and control environment by evaluating its effectiveness.

Prior to the start of each financial year, SWAP, in conjunction with senior management, prepares a proposed plan of audit work. The aim of our planning process and subsequent plan is to put us in a position to provide a well-informed and comprehensive annual audit opinion, based on sufficient and appropriate coverage of key business objectives, associated risks, and risk management processes.

The outcomes of each of the audits in our planned programme of work will provide senior management and Members with assurance that the council is adequately managing its current risks.

Internal audit is only one source of assurance. The outcomes of internal audit reviews should be considered alongside other sources, as part of the 'three lines of defence' assurance model. Key findings from our internal audit work should also be considered in conjunction with the Authority's Annual Governance Statement (AGS).

The council's senior management and the Audit and Governance Committee are responsible for confirming that the proposed audit plan is sufficient and appropriate to provide independent assurance against the key risks faced by the organisation.

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

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To develop an appropriate risk-based audit plan, SWAP has consulted senior management and reviewed key documentation to obtain an understanding of the organisation's strategies, key business objectives, associated risks, and risk management processes.

Approach to Internal Audit Planning 2024/25

The factors considered in putting together the 2024/25 internal audit plan have been set out below:

- Review of the Authority's current risk management framework, processes and risk management maturity
- Inclusion of audit follow up work incorporating any prior year weaknesses identified
- Review of the Authority's key objectives and corporate plans
- SWAP risk-assessment, based on our knowledge of the organisation, incorporating previous internal audit work, as well as emerging regional and national issues
- We also look to accommodate specific requests for assurance or advisory work from management and Members
- Review of the key risks featuring in the Authority's risk register
- Review of the Authority's fundamental business processes and key services
- Liaison with External Audit and other relevant assurance providers where necessary

Our approach to delivering your internal audit plan is to remain flexible to respond to new and emerging risks. We have adopted an 'agile rolling plan' approach and whilst this will be a 'live' continuous approach, confirmed work will only cover every six months with a rolling 'back-log' for future consideration. We will assess priorities with senior management. Members of the Audit and Governance Committee are welcome to share thoughts of priorities areas for assurance work.

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

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The Internal Audit Plan: Risk Assessment

A documented risk assessment, prior to developing an internal audit plan, ensures that sufficient and appropriate areas are identified for consideration.

Internal Audit Annual Risk Assessment

Our 2024/25 internal audit programme of work is based on a documented risk assessment, which SWAP will re-visit regularly. The risk assessment includes coverage against EDDC corporate/operational risks and priorities and the wider SWAP top 10 risk themes and Healthy Organisation areas. Below we have set out a summary of the outcomes of the risk assessment for East Devon District Council:

Strategic Risk Areas

Adequacy of financial resources
Emergency & Business Continuity Planning including ICT
Data Protection and Information Governance
Corporate Property legal requirements
Delivery of Enterprise Zone
Increasing Homelessness
Council's sustainability
Collective approach to decision making
Climate change
Recruitment and retention issues

Local Risk Issues

Social and Affordable Housing
Economic development
Regeneration and development planning
Waste and recycling services
Financial sustainability
Supplier resilience
Income management
Resourcing and staff management
Fraud prevention
Housing repairs and maintenance

Risk Assessment

Core Areas of Recommended Coverage

Financial Management
Health & Safety
Planning, Housing, Environment and the Local Economy
Governance (including risk and performance management)
Contracts, Procurement and Commissioning
Workforce
Technology, Digital and Security (including cyber)
Strategic Asset Management

National Issues

Climate change and Sustainability
Fraud
Financial Resilience
Workforce – recruitment/retention, workforce planning
Procurement, contracts and commissioning
Cybersecurity
Health, safety and wellbeing
Strategic asset management
Planned and unplanned change
Cost of Living Crisis
Political Uncertainty

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

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The Internal Audit Plan: Risk Assessment

Following our SWAP Risk Assessment above, we have set out how the proposed 2024/25 quarter 3 and 4 plan presented in Appendix A provides coverage of the Authority's key corporate objectives and risks, as well as our core areas of recommended audit coverage.

Internal audit is only one source of assurance and should be considered in this context.

Internal Audit Coverage in 2024/25 – October to end March 2025

Our aim is to produce an agile, risk-assessed work plan, containing key areas of coverage.

We maintain a rolling plan that is continually updated as new areas of work are agreed. We risk assess and add new audits to the rolling plan, meaning that lower risk audits roll back to be delivered at a point in the future. The rolling plan is the basis of each six-monthly review, with audits agreed with senior management according to risk.

The Audit and Governance Committee approved the plan for the first half of the year in March 2024.

To produce the plan for the second half of the year, we met with the council's directors and the Chief Executive Officer. These meetings have been key to agreeing a programme of work that reflects corporate goals and associated risks. We have set out the proposed quarter 3 and 4 plan in **Appendix A.**

Members should note that the proposed quarter 3 and 4 plan is smaller than originally intended. This is because we have received several additional work requests during the first half of 2024/25. More information about these requests is available in our Q1 Progress Report.

Internal audit coverage can never be absolute and responsibility for risk management, governance and internal control arrangements will always sit with management. As such, we cannot provide complete assurance over any area, and equally cannot provide any guarantee against material errors, loss or fraud.

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

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SWAP Internal Audit Services is a public sector, not-for-profit partnership, owned by the public sector partners that it serves. The SWAP Partnership now includes public sector partners throughout the UK.

As a company, SWAP has adopted the following values, which we ask our clients to assess us against following every piece of work that we do:

- **Candid**
- **Relevant**
- **Inclusive**
- **Innovative**
- **Dedicated**

Your Internal Audit Service

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

At least every five years, SWAP is subject to an External Quality Assessment of Internal Audit Activity. The last of these was carried out in February 2020 which confirmed conformance with the Public Sector Internal Audit Standards. An annual self-assessment process confirms ongoing compliance.

Conflicts of Interest
We are not aware of any conflicts of interest within East Devon District Council that would present an impairment to our independence or objectivity. Furthermore, we are satisfied that we will conform with our IIA Code of Ethics in relation to Integrity, Objectivity, Confidentiality, & Competency.

Consultancy Engagements
As part of our internal audit service, we may accept proposed consultancy engagements, based on the engagement's potential to improve management of risk, add value and improve the organisation's operations. Consultancy work that is accepted, will contribute to our annual opinion and will be included in our plan of work.

Approach to Fraud
Internal audit may assess the adequacy of the arrangements to prevent and detect irregularities, fraud and corruption. We have dedicated counter-fraud resources available to undertake specific investigations if required. However, the primary responsibility for preventing and detecting corruption, fraud and irregularities rests with management who should institute adequate systems of internal control, including clear objectives, segregation of duties and proper authorisation procedures.

Internal Audit Charter
Annually we provide you with our Internal Audit Charter, for your approval, that reflects the role and responsibilities, of us as internal auditors within your organisation. Our Charter typically accompanies our internal audit risk-based plan detailing the planning approach we are proposing for the year ahead.

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

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However, there have been some significant changes to the Internal Audit Charter, because of the introduction of new Global Internal Audit Standards. The Charter will now include an Internal Audit Mandate that will specifically cover our roles and responsibilities, and the Charter will move to detailing the scope of the internal audit work within your authority.

SWAP is producing a new Charter that will be based on the Institute of Internal Auditors' new model Charter. It makes sense to share one Charter that will cover the whole of 2024/2025, ensuring we have included all the mandatory elements of the new Standards. We will operate in accordance with our existing Charter until the new Charter is prepared and approved by the Audit and Governance Committee.

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

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Over and above our internal audit service delivery, SWAP will look to add value throughout the year wherever possible. This will include:

- **Benchmarking and sharing of best practice between our public-sector Partners**

- **Regular newsletters and bulletins containing emerging issues and significant risks identified across the SWAP partnership**

- **Communication of fraud alerts received both regionally and nationally**

- **Member training sessions**

Our Reporting

We report a summary of internal audit activity to senior management and the Audit and Governance Committee quarterly. This reporting will include any significant risk and control issues (including fraud risks), governance issues and other matters that require the attention of senior management and/or the Audit Committee. We will also report any response from management to a risk we have highlighted that, in our view, may be unacceptable to the organisation.

Internal Audit Performance:

As part of our regular reporting to senior management and the Audit and Governance Committee, we will report on internal audit performance. The following performance targets will be used to measure the performance of our audit activity:

Performance Measure	Performance Target
Delivery of Annual Internal Audit Plan Completed at year end	>90%
Quality of Audit Work Overall Client Satisfaction *(did our audit work meet or exceed expectations, when looking at our Communication, Auditor Professionalism and Competence, and Value to the Organisation)*	>95%
Outcomes from Audit Work Value to the Organisation *(client view of whether our audit work met or exceeded expectations, in terms of value to their area)*	>95%

SWAP INTERNAL AUDIT SERVICES
Helping Organisations to Succeed

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

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Readers should note that the audit titles and high-level scopes included below are only indicative at this stage for planning our resources. At the start of each audit, we hold an initial discussion with management to agree the specific terms of reference for the piece of work, including the objective and scope for the review.

Audit	Planned Quarter	Rationale	Link to Strategic Risk	Audit Sponsor
Section 106 and CIL	Q3	To focus on collection and deployment of Section 106/CIL. This has been an area of concern for members, but the service has now made progress and now has more resources.	Adequacy of financial resource planning to deliver the Council's priorities.	Interim Director of Place
Payroll	Q3	Key financial system last audited in 2021/22.	Adequacy of financial resource planning to deliver the Council's priorities.	Director of Governance and Licensing
Creditors	Q3	Key financial system last audited in 2021/22.	Adequacy of financial resource planning to deliver the Council's priorities.	Director of Finance
Housing Voids	Q4	To cover the risks associated with maximising income from properties for rent.	Adequacy of financial resource planning to deliver the Council's priorities.	Interim Director of Housing and Health
Local Government Transparency Code	Q4	The council has recently set up an Information Governance Board. The Board has found that there is no one officer with overall responsibility for ensuring compliance with the Transparency Code. Audit to confirm the extent of the council's compliance with the Code.	Reputational damage to the organisation.	Director of Governance and Licensing
Strategic Partnerships Follow Up	Q4	The service expects to have actioned SWAP recommendations by Q4.	Business failure of a major contractor or significant partner.	Director of Governance and Licensing
Budget Monitoring	Q4	To review the budget monitoring process and establish whether there are regular budget meetings between Finance and directorates, whether these meetings take place at the right level, and how budget information is communicated across management levels.	Adequacy of financial resource planning to deliver the Council's priorities.	Chief Executive Officer

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

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In addition to the programme of Audits, we will also use our time provide support in the following area across quarters 3 and 4 of 2024/25.

Advice & Support	- Committee Attendance & Reporting - Head of Audit Role/planning - Recommendation Tracking Framework and dashboard - Advisory role including fraud - Fraud bulletins and News round-up

Report to: **Audit and Governance Committee**

Date of Meeting 19 September 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Internal Audit Activity Progress Report – September 2024

Report summary:

Internal Audit Activity Progress Report – September 2024

Is the proposed decision in accordance with:

Budget   Yes ☒ No ☐

Policy Framework   Yes ☒ No ☐

Recommendation:

The Committee is requested to note the progress made in delivery of the 2024/25 Internal Audit Plan as at the start of September, and the findings reported.

Reason for recommendation:

It is a requirement that the Audit and Governance Committee reviews the progress of the Internal Audit Plan.

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

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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
☐ Culture, Leisure, Sport and Tourism

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)

☐ A supported and engaged community
☐ Carbon neutrality and ecological recovery

☐ Resilient economy that supports local business
☒ Financially secure and improving quality of services

East Devon District Council

Report of Internal Audit Activity

Progress Report – Quarter 1 2024

The Headlines

2024/25 Reviews completed in the period
- Two audits finalised
- Two audits at draft report stage
- Four reviews in progress

Progress to date
- Overall we have made a positive start to the year
- 56% of planned audits are complete, at draft report stage, or in progress
- Progress has been affected by additional audit requests

Follow-ups
- There are no planned follow-up audits in the 2024/25 H1 Plan

Action plan monitoring
- We monitor the council's implementation of agreed actions
- The council has 87 active agreed actions

Plan changes in the year
- Two new audits added to the Plan following management requests
- Three confidential reviews added to the 2024/25 H1 Plan
- Following 2024/25 H2 planning, we have deferred two H1 audits to 2025/26

Range of innovations and enhancements made to our internal audit process throughout the year
- We have given ten more council officers access to our audit management system, so they can view and update their agreed audit actions independently.

Internal Audit Assurance Opinions 2024/25

	Sep	YTD
Substantial	1	1
Reasonable	0	0
Limited	0	0
No Assurance	0	0
Advisory & Other	1	1
Total	2	2

Internal Audit Agreed Actions 2024/25

	Sep	YTD
Priority 1	0	0
Priority 2	1	1
Priority 3	1	1
Total	2	2

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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:

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Introduction

The Audit and Governance Committee approved the 2024/25 H1 Internal Audit Plan in March 2024. This report sets out our progress against that plan. **Appendix E** summarises our progress and includes new audits that we have added to the plan.

Each completed assignment includes its respective assurance opinion rating together with the number and relative ranking of actions we have agreed with management.

We have applied the assurance opinion ratings in accordance with the SWAP Audit Framework Definitions detailed in **Appendix A**.

To assist the Committee in its important monitoring and scrutiny role, **Appendix B** summarises our key findings from No and Limited assurance opinion audits. There are no new No or Limited assurance audits to highlight in this report.

We conduct follow-ups for all No and Limited assurance audits. Follow-up audits assess whether the council has completed agreed actions. Outcomes from completed follow-up audits are summarised in **Appendix C**. There are no planned follow-up audits in the 2024/25 H1 Internal Audit Plan.

Where there are findings that we believe pose a high organisational risk to the council, we have summarised these findings separately. We have not identified any high organisational risks in the financial year to date.

It is important that the council implements agreed actions to address the problems set out in our reports. To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking. The council's current position is summarised in **Appendix D**.

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.

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.

Internal Audit Plan coverage of strategic risks

The table below maps our completed and planned audits against the council's strategic risks. As the year builds and more work is completed, coverage across key risk areas will increase. 'Reasonable' coverage reflects the delivery of planned assurance levels. This table only includes audits that are part of the H1 2024/25 Internal Audit Plan. Audits that have not yet started are shown in italic font.

Table Key	Reasonable internal audit coverage 2024/25	Partial internal audit coverage 2024/25	No internal audit coverage 2024/25

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	Planning Application Fees, Treasury Management, Procurement Cards
Major disruption in continuity of computer and telecommunications services	Covered by Strata
Adequate emergency planning and business continuity	*Business Continuity*
Failure to ensure corporate property portfolio is fully compliant with legal requirements	
Failure to follow data protection legislation requirements & good information governance	
Failure to deliver the Enterprise Zone and wider west end development programme	
Increasing homelessness	*Temporary Accommodation*
Failure to ensure the Council's sustainability	
Failure to adequately protect staff health and safety at work	Corporate Property Health & Safety
Retaining and strengthen a collective approach to decision making	Ethical Governance
Climate Change targets not achieved	
Recruitment and retention issues	Establishment System Controls
Reputational damage to the organisation	*Project Management of Major Engineering Schemes*
Risk of service failure	*Disabled Facilities Grants Process*
Impact of the economic situation on our residents	
Implementation of the Elections Act 2022	

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

Monitoring of Agreed Actions

It is important that the council implements agreed actions to address the problems set out in our reports.

To give the Audit and Governance Committee a level of assurance that this is happening, we conduct regular action tracking.

The council's current position is summarised in **Appendix D**.

Most of the agreed actions are for audits that took place in 2022/23 or 2023/24. There are a small number of actions that relate to earlier periods. We will continue to monitor these actions until they are completed.

We recognise that it can take longer to implement actions than planned, and sometimes target timescales need changing. The summary in **Appendix D** includes both original and revised timescales.

We conduct follow-ups for all No and Limited assurance audits. These reviews assess whether the council has completed agreed actions.

Where we have performed a follow-up and concluded that actions are outstanding, we continue to monitor those actions. Once the action owner informs us that they have completed an action, we obtain supporting evidence to show this and then remove the action from our monitoring record.

We need adequate audit coverage to provide our annual opinion.

Year to Date Progress

2024/25 H1 PLAN PROGRESS

■ Complete   ■ Reporting   ■ In progress   ■ Not started   ■ Deferred
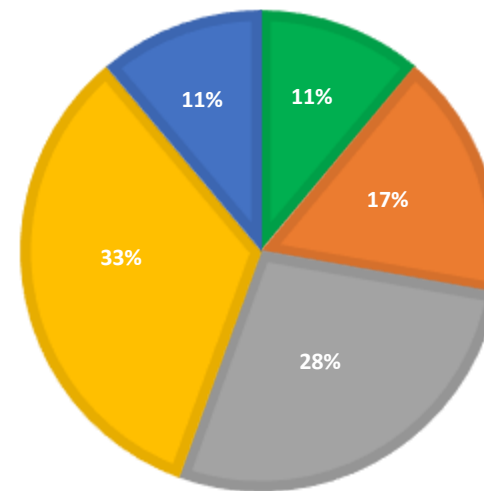
Overall, we have made a positive start to the year, with 56% of audits being either complete, at draft report stage, or in progress.

However, in the year to date we have been asked to complete five additional unplanned reviews, three of which are confidential. This has contributed to some delays in completing ongoing work and starting new work.

Following discussions with management and consideration of the H2 Plan, we have deferred two planned audits to 2025-26. We have included explanations for these deferrals in **Appendix E**.

Appendix A: SWAP Audit Framework and Definitions

Audit Assurance Definitions

No	The review identified fundamental gaps, weaknesses, or non-compliance, which require immediate action. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.
Limited	The review identified significant gaps, weaknesses, or instances of non-compliance. The system of governance, risk management and control requires improvement to effectively manage risks to the achievement of objectives in the area audited.
Reasonable	The review highlighted a generally sound system of governance, risk management and control in place. We identified some issues, non-compliance or scope for improvement which may put at risk the achievement of objectives in the area audited.
Substantial	The review confirmed a sound system of governance, risk management and control, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.

Organisational Risk Assessment Definitions

Assessment	Organisational Risk & Reporting Implications
High	Our audit work includes areas that we consider have a high organisational risk and potential significant impact. Both senior management and the Audit Committee should consider key audit conclusions and resulting outcomes.
Medium	Our audit work includes areas that we consider have a medium organisational risk and potential impact. The key audit conclusions and resulting outcomes warrant further discussion and attention at senior management level.
Low	Our audit work includes areas that we consider have a medium organisational risk and potential impact. We believe the key audit conclusions and any resulting outcomes still merit attention but could be addressed by service management in their area of responsibility.

Categorisation of Actions

In addition to the organisational risk assessment it is important to know how important the individual management actions are. Each action has been given a priority rating 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.

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Appendix B: No and Limited Assurance Audits

There are no new No or Limited assurance audits to highlight in this report.

Appendix C: Follow-up Audits
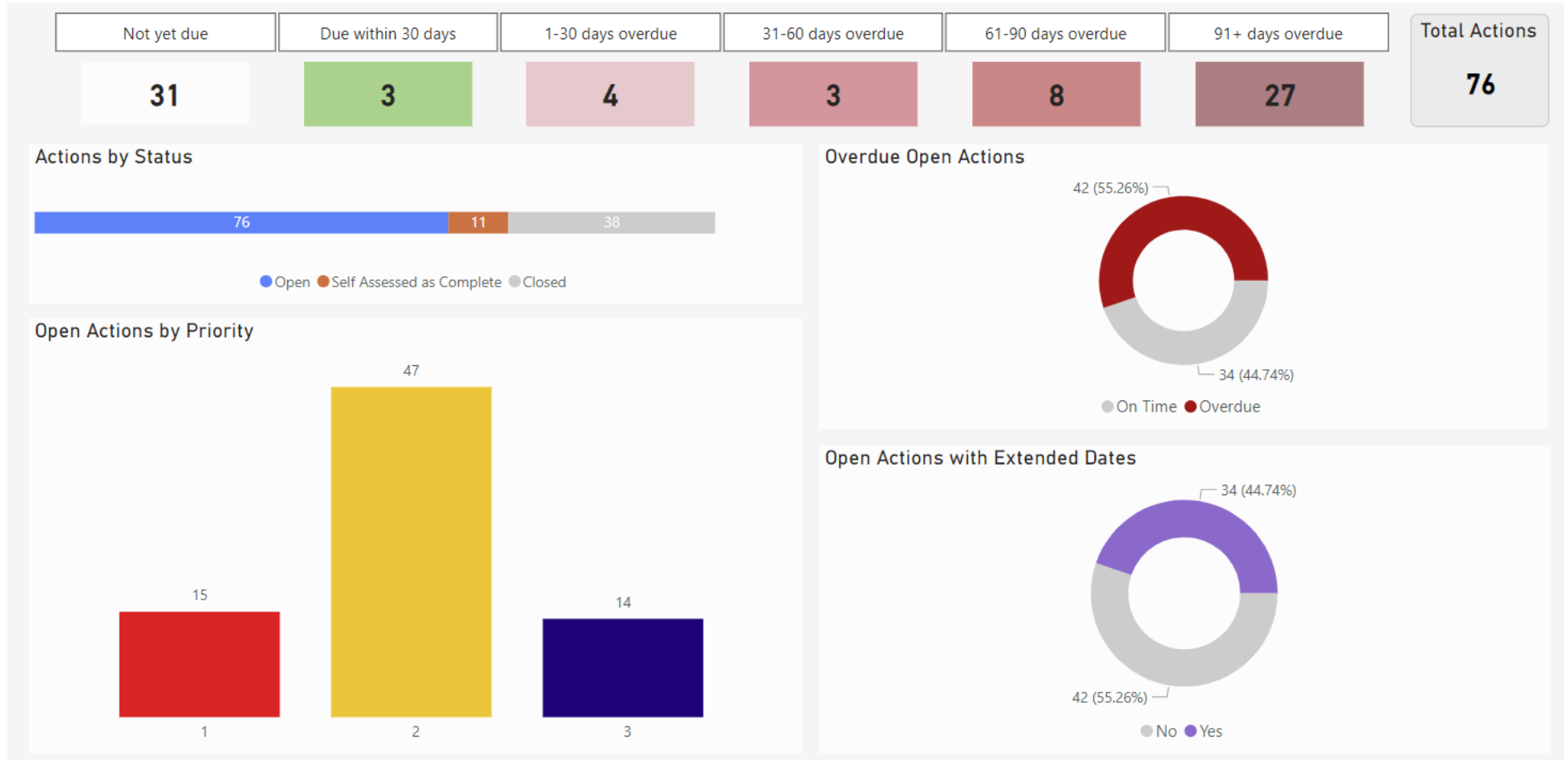
There are no follow-up audits to highlight in this report.

Open Management Actions

Not yet due	Due within 30 days	1-30 days overdue	31-60 days overdue	61-90 days overdue	91+ days overdue	Total Actions
31	3	4	3	8	27	76

Actions by Status

76 | 11 | 38

● Open ● Self Assessed as Complete ● Closed

Open Actions by Priority

47

15

14

1   2   3

Overdue Open Actions

42 (55.26%)

34 (44.74%)

● On Time ● Overdue

Open Actions with Extended Dates

34 (44.74%)

42 (55.26%)

● No ● Yes

The dashboard above summarises the council's position as of 29 August 2024. There are 87 open and self-assessed complete actions. We have included detail for all open and self-assessed complete Priority 1 and 2 actions starting on the next page.

Appendix D: Monitoring of Agreed Actions

Action ID	Year	Audit Title	Issue	Priority Score	Timescale	Revised T/scale	Revised T/scale 2	Progress Status	Progress update
785	20/21	Procurement	Project Notification Forms (PNFs) are not always completed as required.	2	31/03/2021	29/02/2024		Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024.
788	21/22	Firmstep F/Up	No Benefit Realisation Plan is in place.	2	31/07/2022	31/03/2024		Overdue	A revised project plan needs to be created which once in place will enable a benefit realisation plan to be created (Oct 2023).
789	21/22	Firmstep F/Up	No Post Implementation Review has been scheduled	2	31/07/2022	31/03/2024		Overdue	The revised project plan needs to be created which will include these reviews (Oct 2023).
792	21/22	Risk Management	The process for ensuring that any risks identified as part of decision making are added to the risk registers, is not embedded	2	03/06/2022	31/03/2024		Evidence Check	Action has been self-assessed as Complete (July 2024) Evidence required to close this action off. Requested 29/8/2024.
793	21/22	Risk Management	Not all Service Planning Risks appear on the risk register.	2	30/06/2022	31/03/2024		Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024.
795	21/22	Risk Management	Risks are not aligned to council priorities.	2	30/06/2022	31/03/2024		Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024.
796	21/22	Risk Management	The Risk Management Policy has not been reviewed for some time	2	30/06/2022	31/03/2024		Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024.
806	21/22	Workforce Planning	The People Strategy in place is not an active document.	2	30/06/2023	31/03/2024	31/03/2025	Revised T/Scale	People Strategy forms part of Council Plan action plan, with an agreed completion date of March 25 (June 2024).

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2572	22/23	Climate Change	The action plan is not SMART (specific, measurable, achievable, realistic, and timely)	2	29/09/2023	01/04/2024		Overdue	We have become full members of the South West Energy and Environment Group. They are currently producing a Carbon Descent Plan for the Council which is due to be delivered imminently. It is expected that this will form the basis of a new action plan as it will provide the basis (along with carbon footprint work) to set SMART targets for specific actions based on carbon reduction. We will also be able to start costing the measures (Oct 2023).
2573	22/23	Climate Change	The Climate Change Action Plan has not been fully costed.	2	29/09/2023	01/04/2024		Overdue	The current action plan has recently been reviewed and it is unlikely to be a good use of time to update existing actions as they do not fit well with the SMART model. We are looking to fully review as #2572 (Oct 2023).
2574	22/23	Climate Change	There is no dedicated body/committee with oversight of the Climate Change Strategy.	2	31/05/2023	01/04/2024		Overdue	a. The 20-25 action plan update is being reported to Scrutiny Committee on 2/11/23. We are still discussing ongoing reporting, but it is likely to be an annual report to Scrutiny once the updated action plan has been adopted. However we are also looking to take the revised strategy and action plan to Overview and Cabinet once updated. b. Green Team have met twice and are minuted. c. SMT+ (now SLT) meetings are minuted (Oct 2023).
2575	22/23	Climate Change	Performance Monitoring and Reporting needs further definition and improvement	2	29/09/2023	01/04/2024		Overdue	SWEEG will be assisting with this once the updated action plan is produced (Oct 2023).
3103	22/23	Cranbrook Town Development	Although outline projects have been determined, Cranbrook Town Centre remains at a programme	2	31/10/2024			On time	Review the areas for consideration included in this report and identify an action plan and timescales for delivery. • Programme and project aims should be defined

			phase. Programme governance requirements are necessary as the project progresses.					and approved. • Ability to delegate decision making and ensuring there are Terms of Reference in place for the various programme/project boards. • RAID management • Programme/project schedule including timescales for expected completion. • Project/budget monitoring (Oct 2023)
1318	22/23	Out of Hours Schemes	Out of Hours schemes policies & procedure documents do not reflect current practice	2	31/01/2024	30/11/2024	Revised T/Scale	A draft Out of House Policy has been approved in principle by ELT but work now needs to take place to identify the indicative costs of implementing this new policy. Service areas are providing information to Payroll to enable those costings to be calculated, with a further report to then go to ELT in July 24. Following this, there will need to be collective consultation on the proposals before the final policy is approved by ELT and Personnel Committee in October 24. Once the policy has been implemented, costings will be added to the regular people data reports that are provided to ELT and Personnel Committee (June 2024).
2591	22/23	Out of Hours Schemes	Controls for administering claims and monitoring arrangements needs improvement	2	31/01/2024	30/11/2024	Revised T/Scale	A draft Out of House Policy has been approved in principle by ELT but work now needs to take place to identify the indicative costs of implementing this new policy. Service areas are providing information to Payroll to enable those costings to be calculated, with a further report to then go to ELT in July 24.

									Following this, there will need to be collective consultation on the proposals before the final policy is approved by ELT and Personnel Committee in October 24. Once the policy has been implemented, costings will be added to the regular people data reports that are provided to ELT and Personnel Committee (June 2024).
2605	22/23	Out of Hours Schemes	Rates have not been reviewed or scrutinised for a significant period of time.	2	31/01/2024	30/11/2024		Revised T/Scale	A draft Out of House Policy has been approved in principle by ELT but work now needs to take place to identify the indicative costs of implementing this new policy. Service areas are providing information to Payroll to enable those costings to be calculated, with a further report to then go to ELT in July 24. Following this, there will need to be collective consultation on the proposals before the final policy is approved by ELT and Personnel Committee in October 24. Once the policy has been implemented, costings will be added to the regular people data reports that are provided to ELT and Personnel Committee (June 2024).
803	22/23	Small Works and Services Contract Management F/Up	Completion of the Contract Register remains WIP	1	31/03/2022	31/03/2023	31/03/2024	Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024.
804	22/23	Small Works and Services Contract Management F/Up	Contract Standing Orders (CSO) need updating to include a section on contract monitoring, evaluation & review. The monitoring of smaller contracts to be added.	2	31/03/2022	31/03/2023	31/03/2024	Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024

805	22/23	Small Works and Services Contract Management F/Up	No Contract Management guidance available for contract managers	2	31/03/2022	31/03/2023	31/03/2024	Evidence Check	Action has been self-assessed as Complete (July 2024). Evidence required to close this action off. Requested 29/8/2024
809	23/24	Accounts Receivable	Sundry Debtor procedures are incomplete	2	31/12/2023	31/10/2024		Revised T/Scale	Revised timescale set (July 2024).
2062	23/24	Agency Staff and Consultants - Implications of IR35	The policy for hiring temporary support does not explicitly state who is responsible for determining their employment status	1	31/08/2023	01/05/2024	31/10/2024	Revised T/Scale	Approval of the Use of Temporary Workers Policy has been delayed and will go to Personnel Committee in Oct 24 (June 2024).
2174	23/24	Agency Staff and Consultants - Implications of IR35	The council does not have a definitive list of all its off-payroll workers	1	31/07/2023	08/03/2024	31/10/2024	Revised T/Scale	The work is continuing with reporting in place following approval of the revised policy in October 24 (June 2024).
2412	23/24	Agency Staff and Consultants - Implications of IR35	Employment Status Assessment records are not complete (training to be given to all hiring managers)	1	31/10/2023	01/05/2024	31/10/2024	Revised T/Scale	Approval of the Use of Temporary Workers Policy has been delayed and will go to Personnel Committee in October 24, after which management training will take place (June 2024).
2414	23/24	Agency Staff and Consultants - Implications of IR35	Employment Status Assessment records are not complete (retrospective action to be taken)	1	31/08/2023	30/11/2023	01/05/24 & now 31/10/24	Revised T/Scale	Approval of the Use of Temporary Workers Policy has been delayed and will go to Personnel Committee in Oct 24 (June 2024).
2424	23/24	Agency Staff and Consultants - Implications of IR35	A CEST assessment could not be located for the Relocation Manager role.	1	30/09/2023	01/05/2024	31/10/2024	Revised T/Scale	Payroll Manager is continuing to obtain information on the outstanding records from manager (June 2024).
2185	23/24	Agency Staff and Consultants - Implications of IR35	Managers have not received any specific training in relation to the IR35 legislation	2	31/10/2023	01/05/2024	31/10/2024	Revised T/Scale	The approval of the revised Use of Temporary Workers Policy has been delayed whilst we clarify some points linked to Standing Orders and procurement. The next available Personnel Ctte to approve the revised policy is 13th October. A News

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ID	Year	Audit	Finding	Priority	Original Date	Revised Date	New Date	Status	Update
									and Views manager briefing will then take place following the agreement of the revised policy in Oct 24. The manager's mandatory training requirements will also be reviewed at that time to determine what information on the use of temporary workers should be included (June 2024).
2186	23/24	Agency Staff and Consultants - Implications of IR35	There is no separate corporate induction checklist for senior managers	2	31/10/2023	01/05/2024	31/10/2024	Revised T/Scale	The approval of the revised Use of Temporary Workers Policy has been delayed whilst we clarify some points linked to Standing Orders and procurement. The next available Personnel Ctte to approve the revised policy is 13th October. A News and Views manager briefing will then take place following the agreement of the revised policy in Oct 24. The manager's mandatory training requirements will also be reviewed at that time to determine what information on the use of temporary workers should be included (June 2024).
2416	23/24	Agency Staff and Consultants - Implications of IR35	There is no evidence retained to show that the off-payroll workers have been notified of the outcome of the assessment.	2	30/09/2023			Evidence Check	Evidence requested 07/06/2024. None received – requested again 29/8/2024.
2443	23/24	Damp and Mould in Council Homes	Stock condition surveys are currently being undertaken across all council properties. There have been cases where tenants have subsequently contacted the council stating that they have an issue with damp and mould.	2	30/09/2023	31/01/2024	31/10/2024	Revised T/Scale	We are still awaiting full data from contractors for the SCS and are currently waiting new target estimations from them. Target Date for EDDC update: October 2024 (June 2024).
2581	23/24	Damp and Mould in Council Homes	Damp and mould complaints are not tracked and monitored via open housing	2	30/09/2023	31/01/2024	30/09/2024	Revised T/Scale	New Responsive Repairs and Service Manager in place who is now reviewing all processes used by the team to manage damp and mould complaints and all other complaints that relate to responsive repairs. Full review of damp and mould policy underway to

determine how we will manage the increasing numbers of properties that fall into this category of complaint, consideration is being given for our own in-house team to manage this. Previous Housing Performance Lead left post in November 2023. Post taken over in April 2024 and full review now being undertaken on process for formal complaints to improve on timescales being experienced by customers as well as quality of records being kept in relation to each complaint. This was completed this time last year, but with staff changes, the new manager wants to do another review of the policy and process; this is now targeted for September 2024 (June 2024).

| 3864 | 23/24 | Elections | Required actions following an error and complaint in a previous election have not been completed in full. | 2 | 31/07/2024 | | Overdue | A complaints log should be introduced by Electoral Services, with outcomes, lessons learned, and any required remedial actions being logged against each one. Where action is required, it would also be beneficial to carry out a further subsequent review as to the effectiveness of that action prior to it being signed off. The Service should review the slides used in the training presentation for the Count Supervisors, to ensure that the cause of the error has been addressed and accounted for within the written process, and that the procedures are straightforward for Count Supervisors to adhere to. Details of the count process from the training slides should then be put into a formal procedures document. (May 2024) |

3865	23/24	Elections	There are gaps in the terms of the Data Sharing Agreements that the team is required to have in place	2	30/09/2024		On time	The Service should review their links with other Services and ensure that they put signed Data Sharing Agreements in place with all those from whom they obtain information, as well as those that they share with, to ensure GDPR compliance. The Information Governance Team would be best placed to advise on what is already in place and what else is required. We have data sharing agreements with all services other than Registration Services. We are therefore making contact with Registration Services to pursue this. (May 2024)
2054	23/24	Emergency Planning F/Up	The council does not hold its own Local Risk Register.	2	31/12/2023	30/04/2024	Overdue	The Emergency Planning Officer (EPO) has been working with the LRF in order to get the National Risk Register (NRR) adopted as the local CRR. This is being developed by the Analysis and Development Group, which the EPO is part of, before being signed off by the LRF Chief Officer Executive Board (COEB). This has delayed the council from being able to look at the finished CRR and review it before acceptance into the corporate risk register. A Revised T/Scale of the end of April 2024 will allow time for this action to be completed (February 2024).
3177	23/24	Establishment Control	There are no establishment reconciliations outside of the annual budget setting process.	2	31/12/2024		On time	The council will introduce regular establishment reconciliations. This will include asking managers to confirm their staff structure is accurately recorded in iTrent.
3180	23/24	Establishment Control	The council's authorisation requirements are	2	31/12/2024		On time	The council will update the Constitution to define what a Budget Manager is and clarify what changes

									to the establishment a Budget Manager can approve independently.
			inconsistent and not fully defined.						
									Assistant Directors will retain the ability to approve honoraria requests, but a new process has been set up to give Executive Leadership Team oversight of all requests. HR is updating the Pay and Reward Policy accordingly.
639	23/24	Housing Compliance – Asbestos Management F/Up	Further work is needed to give assurance of the data quality of Key Performance Indicators	2	28/04/2023	30/09/2023	31/03/24, 30/08/24 & now 30/11/24	Revised T/Scale	Further data cleansing needed. We aim to deliver a solution to the audit finding by November 30th (August 2024).
2795	23/24	Housing Whistleblowing Concerns F/Up	Satisfaction Survey have not targeted all tenants	2	30/06/2022	31/12/2023	31/05/24 & 31/10/24	Revised T/Scale	Team have reviewed services offered by Rant and Rave as an external option to manage this for us, however, costs are expensive. Responsive Repairs and Voids Service Manager is leading on a review of complaints and customer service team has started to conduct post-repair outgoing calls to tenants and early intervention approaches for complaint de-escalation. Further work has started working with Housing Systems Team to provide more regular Tenant Survey approaches to receipt of contractor services. Process and Procedure review work to be completed to compliment the changes made. Target date: October 2024 (June 2024).
2796	23/24	Housing Whistleblowing Concerns F/Up	Record keeping is not consistent across teams	2	30/06/2022	31/12/2023	31/05/2024	Evidence Check	This action is complete - Work is continuing to refine and ensure the processes and system procedures between Ian Williams and EDDC are effective and clear for all Officers using the system. Key objective of the Responsive Repairs and Voids Service Manager currently (June 2024). Evidence requested 29/8/2024.

2918	23/24	Housing Whistleblowing Concerns F/Up	Job Completion is being assessed differently across teams	2	30/06/2022	31/12/2023	31/05/2024	Evidence Check	This action is complete - Data is under full review with Responsive Repairs and Voids Service Manager leading on and working with contractors to improve data accuracy and sharing (June 2024). Evidence requested 29/8/2024.
2398	23/24	Information Governance Policies and Compliance with Retention Policy	The council's Data Protection and Data Retention Policy, Information Security Policy and Information Security Incident Policy are overdue a review.	1	31/01/2024			Overdue	Strata will be contacted to ensure the two IT policies are reviewed and approved (November 2023) Data Protection and Data Retention Policies complete. No revised implementation date given for remaining policies (August 2024).
2399	23/24	Information Governance Policies and Compliance with Retention Policy	The council does not have seven of the 10 expected policies by the ICO.	1	31/07/2024			Overdue	The remaining seven policies will be created and approved in accordance with council requirements. Where the policy is the responsibility of Strata, they will be contacted to complete this action (November 2023).
2517	23/24	Information Governance Policies and Compliance with Retention Policy	The council does not have a standalone data retention policy	1	31/07/2024			Evidence Check	This is linked to action AP#2398. Data Retention policy complete. Delegated authority for approval by Melanie Wellman (August 2024). Evidence requested 29/8/2024
2519	23/24	Information Governance Policies and Compliance	The council's Information Asset Register is incomplete and has not been reviewed since its creation in January 2018	1	31/10/2024			On time	A review of the Information Asset Register will be undertaken with support from Strata and service leads. This will ensure that all current information assets are included in the register and the

		with Retention Policy						information recorded is consistent (November 2023).
2785	23/24	Information Governance Policies and Compliance with Retention Policy	The Record of Processing Activities (ROPA) is dated 2018; this has not been updated since and there are some gaps within the document.	1	31/03/2024		Overdue	A data mapping exercise will be carried out to update the existing ROPA and ensure compliance with Article 30 of the UK GDPR (November 2023).
2518	23/24	Information Governance Policies and Compliance with Retention Policy	The council has not reviewed its data retention schedule since January 2020.	2	31/03/2024	29/11/2024	Revised T/Scale	Work is on-going on a council-wide review of our document retention schedules to ensure that the retention timescales are accurate and that all data sets are included. This work is being led by our Business Intelligence Team so that agreed retention timescales can be carried across to the Firmstep system where webforms are being used. Each of the ADs was contacted earlier in the year to outline what is required. Retention periods for documents held by the Revs and Bens service are being prioritised in preparation for an audit being conducted later in the year by DWP. As is often the case, once work commenced on this project, the enormity of the task became clear and it has also become clear that there are issues in terms of the permanent deletion of documents on some systems, which is not always possible unless further system modules or upgrades are purchased. Again, the systems used by the Revs and Bens Team will be prioritised here as work progresses (June 2024).
2584	23/24	Information Governance Policies and Compliance with Retention Policy	The council does not currently undertake any checks to ensure records are being held in accordance with the Data Retention Schedule	2	31/12/2024		On time	A random sample of records from the Data Retention Schedule will be selected on a quarterly basis and evidence sought from services to confirm compliance with the retention periods (November 2023).

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2622	23/24	Information Governance Policies and Compliance with Retention Policy	No specific training is given on data retention to inform staff of their responsibilities	2	31/03/2024		Overdue	With the roll out of the updated Data Retention Policy and Data Retention Schedule, this is an opportune time to remind staff of their role in ensuring records are managed in line with legislation, and operational and administrative requirements. Specific training or guidance will be arranged for those with additional responsibilities initially and then the remaining staff will receive appropriate training to ensure they are aware of their responsibilities (November 2023).
2644	23/24	Information Governance Policies and Compliance with Retention Policy	The council's SIRO does not hold any qualification and has not had any specific training to support the responsibilities of this role.	2	31/03/2024		Evidence Check	Evidence requested 29/8/2024
2650	23/24	Information Governance Policies and Compliance with Retention Policy	There is no corporate oversight to ensure staff receive mandatory refresher training.	2	31/05/2024		Overdue	Records of attendance will be maintained to show that staff are up to date with the mandatory data protection training (November 2023).
2692	23/24	Information Governance Policies and Compliance with Retention Policy	There is a lack of assurance that records both held and deleted on individual officer drives and mailboxes are stored in line with the	2	30/04/2024		Overdue	With the refresh of the data retention policy, the processes to be followed for the storage and disposal of digital records will be reviewed and communicated to all staff (November 2023).

council's document retention requirements

ID	Year	Area	Finding		Date	Status	Management Response
2726	23/24	Performance Management	There is no Performance Management Framework which details how performance is to be managed and monitored across the council	1	31/03/2024	Overdue	We will develop the Performance Management Framework and associated guidance once we have agreed on the changes we are making to the way performance is monitored and managed across the Council. We will use the outcomes from the Financial Sustainability Model work and the work with the Scrutiny Chair to inform this. Once produced it will be presented to all responsible officers (September 2023).
2836	23/24	Performance Management	Action is not adequately documented where performance has not met the required standard	2	31/03/2024	Overdue	We will ensure that the new guidance being developed includes the criteria for explaining why performance is not meeting the targets set. This will include details on how to set SMART objectives. Training will also be offered where required (September 2023).
2838	23/24	Performance Management	Supporting information provided with Performance Indicator Reports could be improved to aid understanding	2	31/03/2024	Overdue	The Chair of the Scrutiny has asked for a review of the performance indicators, and we have our first meeting scheduled for early September. We will consider the points you have raised during these discussions and include them, where possible in our revised reports (September 2023).
2907	23/24	Performance Management	The Performance Indicator report is missing some indicators for key priorities at the council	2	31/03/2024	Overdue	The addition of new and revised performance indicators will form part of the work we are doing with the Chair of Scrutiny and the Financial Sustainability Model (September 2023).
2908	23/24	Performance Management	There is no validation of the data that is input into SPAR.net before it is included in the performance reports	2	31/03/2024	Overdue	Data validation will be included in the guidance being developed and will be rolled out to all Responsible Officers (September 2023).

2916	23/24	Performance Management	Indicators are not always complete, despite reminders	2	31/03/2024		Overdue	When Responsible Officers do not respond to a chaser for quarterly data, this should be escalated to the Director of Finance to chase further (September 2023).
2917	23/24	Performance Management	There has historically been little challenge to the quarterly performance indicator reports presented to SLT	2	31/12/2023		Overdue	To ensure more proactive monitoring of quarterly performance reports and utilise the AD peer review approach as a vehicle (September 2023).
3494	23/24	Planning Enforcement	There is no guidance setting out how officers should record planning enforcement cases.	1	30/06/2024		Overdue	The Development Manager will create and implement new recording standards for planning enforcement investigations. The standards will set out what officers must record and how they should do it. The Development Manager will also introduce a case review process to identify gaps in investigation records (March 2024).
3764	23/24	Planning Enforcement	For almost all cases we reviewed, there was no evidence determinations had been suitably authorise	1	30/06/2024		Overdue	The Assistant Director – Planning Strategy & Development Management will update the Scheme of Delegation to specify how case closures and other decisions must be authorised. This will include any decisions Enforcement Officers can make independently (March 2024).
3707	23/24	Recruitment and Onboarding	Record of recruitment documentation not always completed	2	31/05/2024		Evidence Check	Evidence requested 07/06/24 and some received 8/7/2024 but no indication of how this supports the issue raised. Requested again 29/8/2024
3710	23/24	Recruitment and Onboarding	No HR oversight to ensure all recruiting managers had completed recruitment and onboarding training. No monitoring that all new employees complete induction training	2	30/04/2024	30/09/2024	Revised T/Scale	New eLearning system in place which enables managers to look at mandatory training records. Reporting by service area now being developed by HR which will be shared with SLT (June 2024).
3308	23/24	Strategic Partnerships	Partnership Policy does not set out any due diligence	1	31/05/2024		Overdue	•To consider the example Partnership Policy provided and improve the definitions of formal and

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			requirements or how to consider the risks and financial exposures of a partnership. No evidence was found for the council's involvement in the partnership for the three partnerships reviewed				informal partnerships. •To ensure that the guidance is updated to include clear requirements for the process of signing formal partnership agreements and the approval of them. •To ensure that going forward, approval for entering into any partnership is recorded (December 2023).
3310	23/24	Strategic Partnerships	The Partnership Register does not record what type of agreement is in place. Information was lacking in the two informal agreements reviewed	2	31/05/2024	Overdue	•Ensure that the Partnership Register is amended to record what type of agreement is in place for each partnership listed, which can be used to review whether it remains fit for purpose. •Ensure that guidance is expanded to set out the minimum requirements for what a partnership agreement must include (December 2023).
3311	23/24	Strategic Partnerships	Partnerships do not have a process for members to declare a personal interest and this requirement is not in the current Partnership Policy	2	31/05/2024	Overdue	To ensure that partnership guidance is updated to include the minimum requirements for the process for declaring personal interests, which should be in place for all partnerships that the Council participates in (December 2023).
3312	23/24	Strategic Partnerships	The approach taken by the council to show how its partnerships contribute to its corporate priorities is not always meaningful	2	31/05/2024	Overdue	A preferred approach could be for lead officers to be asked to specify what the partnership delivers in order to help the Council meet its objectives (December 2023).
3317	23/24	Strategic Partnerships	Not all partnerships identified in service plans appear on the partnership register	2	31/05/2024	Overdue	To add the requirement to the Service Plan template, that all listed partnerships must also be included in the Council's register (December 2023).
3319	23/24	Strategic Partnerships	Limited evidence of internal performance reviews to determine value for money. No evidence that the council is monitoring the	2	31/05/2024	Overdue	•To review the arrangements for the annual update of the Partnership Register, and the report to the Audit and Governance Committee to strengthen scrutiny of partnership performance. •To ensure that guidance provides partnership lead

			performance of its partnerships					officers with improved clarity about the minimum requirements for reviewing and evidencing partnership performance, and the ongoing benefits provided to the council. •To ensure that any statutory review requirements are recorded centrally and there is a mechanism to ensure they are adhered to (December 2023).
3565	23/24	Volunteer Management	The Volunteer Policy does not provide guidance to volunteers or line managers on health and safety requirements for volunteering. There is no formal health and safety training as part of the volunteer's induction.	1	30/04/2024	31/10/2024	Revised T/Scale	Approval of the Volunteers Policy has been delayed due to SLT queries and will be approved by Personnel Committee in October 24 (June 2024).
3511	23/24	Volunteer Management	Neither the Gallery nor the Countryside teams obtain DBS clearance for their volunteers.	2	30/04/2024		Overdue	The volunteer leads should liaise with HR complete a risk assessment that will determine the requirement for any disclosure and barring service clearance for their volunteers (June 2024).
3563	23/24	Volunteer Management	The current version of the Volunteering Policy does not refer to the HR process for conducting a risk assessment to determine whether a Disclosure and Barring Service (DBS) clearance is required. There is no central record of volunteer roles	2	30/04/2024	31/10/2024	Revised T/Scale	Approval of Volunteers Policy delayed until Personnel Ctte in October 24 due to queries raised by SLT (June 2024).

ID	Year	Area	Finding	Pri	Orig Date	Rev Date 1	Rev Date 2	Status	Management Response
			across council services that specifies whether such an assessment has been completed, or what the outcome was.						
3564	23/24	Volunteer Management	There is no evidence that volunteers in the Gallery have received and understood their induction. No induction checklist is used for Countryside volunteers	2	30/04/2024			Overdue	Volunteer leads should ensure that induction checklists are completed in full for all volunteers. Checklists should be signed by volunteers to confirm they have read and understood all relevant information and policies (January 2024).
3572	23/24	Volunteer Management	The performance management and supervision arrangements in the Volunteering Policy are not clear. There are, therefore, variations of arrangements in place for Gallery and Countryside volunteers	2	30/04/2024	31/10/2024		Revised T/Scale	Approval of the Volunteers Policy has been delayed until Personnel Ctte in October 24 following queries raised by SLT (June 2024).
3574	23/24	Volunteer Management	The Countryside team have not created a risk assessment that covers the risks for volunteers working in the Discovery Hut	2	30/04/2024			Overdue	The service lead should ensure that a risk assessment is created for the Discovery Hut and that this is used to determine the required health and safety training for volunteers (January 2024).
811	23/24	Worksmart+	Data Protection Training of staff is not up to date	2	30/09/2023	31/01/2024	01/09/2024	Revised T/Scale	New eLearning system has been implemented, with links to iTrent, which allows managers and employees to view their mandatory training records. The Performance Excellence Review appraisal and 1:1 forms include a reminder for managers and employees to check that mandatory training is up to date. Work is now taking place in HR to develop reports on mandatory training completion records by service area that can then be shared with SLT (June 2024).

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| 4360 | 24/25 | Planning Application Fees | There is no active reconciliation between payments made through the planning portal, or using the online payment tool, and the income received into the relevant account code in efinancials. | 2 | 31/08/2024 | | On time | To put in place a process to reconcile the planning fee income as recorded in the e-financials system against the expected fee income to ensure that these match. This to be established and undertaken monthly for the first 6 months after which the frequency to be reviewed with the Assistant Director and reduced to quarterly if no significant issues noted. |

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	↔	3 = Medium
					| Recommendation |		
					1	2	3
Complete							
Assurance	Planning Application Fees	Final	Substantial	2	0	1	1
Advisory	**NEW:** LED Exmouth Pavilion Loss of Income Claim	Final	N/A	1	0	0	1
Reporting							
Assurance	Housing Landlord Health and Safety Compliance: Electrical Safety	Draft					
Assurance	Ethical Governance	Draft					
N/A	**NEW:** Confidential Request #1	Draft					
In progress							
Assurance	Corporate Property Health and Safety	In progress					
Assurance	Treasury Management	In progress					
Advisory	**NEW:** Establishment System Controls	In progress					
Proactive Fraud	Procurement Cards	In progress					
N/A	**NEW:** Confidential Request #2	In progress					
Not started							
Assurance	Supplier Resilience	Not started					
Assurance	Temporary Accommodation	Not started					
Assurance	Business Continuity	Not started					

Appendix E: Summary of Internal Audit Work

Audit Type	Audit	Status	Assurance Opinion	Total Actions	1 = Major	⟷	3 = Medium
					Recommendation		
					1	2	3
Assurance	Project Management of Major Engineering Schemes	Not started					
Assurance	Disabled Facilities Grants Process	Not started					
N/A	**NEW:** Confidential Request #3	Not started					
Deferred							
Assurance	Community Safety/Anti-Social Behaviour	Deferred	Deferred to 2025/26 (Q1) due to service restructure				
Assurance	Firmstep – GDPR Compliance	Deferred	Deferred to 2025/26 (Q1) due to anticipated DWP review				

Report to: **Audit and Governance Committee**

Date of Meeting 19 September 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

East Devon District Council

Strata Services Solutions - Internal Audit Report Annual Opinion

Report:

This Committee receives audit assurance through the independent work and reports from SWAP, however the internal audit of the Councils ICT provision (Strata Services Solutions) is audited by the Devon Audit Partnership (DAP).

For the Committee to gain assurance on the system of controls and governance in place within this key area of service delivery it is considered good practice for the annual assurance report produced by DAP to be presented to this Committee. The Audit Opinion for 2023/24 was Reasonable Assurance and the full report is attached.

An Auditor from DAP will be present at the meeting to present the report and to answer any questions.

Is the proposed decision in accordance with:

Budget   Yes ☒ No ☐

Policy Framework   Yes ☒ No ☐

Recommendation:

For the Committee to consider and note the annual audit opinion for Strata Services Solutions Ltd

Reason for recommendation:

To ensure members are informed and satisfied with the governance arrangements of the Council's ICT provision.

Officer**:** Director of Finance (S151/CFO) sdavey@eastdevon.gov.uk

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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
☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Low Risk;

Links to background information

Link to Council Plan

Priorities (check which apply)

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

Financial implications:

No direct financial implications

Legal implications:

No direct legal implications

Internal Audit Report

Strata ICT Audit

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

January 2024

Official

Support, Assurance & Innovation

CUSTOMER SERVICE EXCELLENCE

CSE

Devon Audit Partnership

Devon Audit Partnership (DAP) has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid-Devon, South Hams & West Devon, Torridge and North Devon councils and we aim to be recognised as a high quality public sector service provider.

We work with our partners by providing professional internal audit and assurance services that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards (PSIAS) along with other best practice and professional standards.

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

Confidentiality and Disclosure Clause

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

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

1   Introduction

Strata Service Solutions has three founding partners (The Partners), East Devon District Council (EDDC), Exeter City Council (ECC) and Teignbridge District Council (TDC). At the time, the creation of Strata in 2014 represented an innovative approach.

The approach has proved successful as Strata has delivered in excess of one million pounds in cashable savings. Of significant importance moving forward is that it positioned the Partners well as many Councils around the country increasingly look to enter similar partnership arrangements.

In its Policy Briefing on Technology related trends for the public sector in 2019, SOCITM identified that 'Partnering and Sharing Locally' as a key trend for Councils who 'need to adopt and share in order to remain solvent'. It further identified that there is a requirement for deep integration of services across traditional boundaries.

Strata remains well positioned to add value to the Partners and fulfilling the role of an effective strategic enabler and an 'agent for change'.

*   SOCITM is the premier professional body for IT leadership and management and digitally enabled services delivered for public benefit

2   Audit Opinion

Reasonable Assurance	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.

3   Executive Summary

The past four years have been extremely challenging for Strata and the Partners alike, with the Covid Pandemic and ongoing financial constraints creating unfamiliar and difficult operational environments. Strata have also experienced a period of relative instability with a turnover of four IT Directors in a fourteen-month period and the loss of experienced managers and operational staff. These issues created a poor environment for effective change and service improvement and it is accurate to state that there was a period of relative stagnation.

The new (and permanent) IT Director commenced in their role in July 2023 and, being a permanent appointment, provides Strata with the opportunity for fresh impetus and the incorporation of effective ideas for service delivery improvement. They have introduced changes to the way that Workstream and Project prioritisation are governed and this should enable Strata to better focus on delivery.

DAP maintains its long-term position that Strata are a fundamental component for enabling change for the three Partner organisations. Recent years have seen the increasing of partnering arrangements and the rejuvenation of the Unitary Authority approach. The Partners still remain in a strong position to exploit their own enabler for change. With resources limited, Strata will provide best value for money if new projects and solution-based business change benefits all three Partner organisations.

Such are the financial pressures on Councils that there appear to be few opportunities to maintain services at a satisfactory level without fairly radical changes to end to end processes. The use of new technologies and taking advantage of existing opportunities such as those offered on the Microsoft 365 (M365) platform could all contribute. The Partners have very limited retained client capabilities and Strata should have a clear role in the identification of potential opportunities.

The IT Director has instigated material changes to both organisational structure and key functions. This should help improve operational value for money, make better use of available resources and further strengthen service delivery processes. The creation of a Technical Design Architect (TDA) strengthens future infrastructure estate design and ensures that potential new software applications are formally considered for alignment with strategies and technical direction.

The Cyber Threat Landscape continues to cause concern amongst the Information Commissioners Office (ICO) and security professionals. The recent National Cyber Security Centre's (NCSC) Annual Report highlights the ever-evolving cyber threat landscape and the need for compliance with its advice. DAP provided a brief overview of the changing risks within last years report and advocated that "*An assessment of the effectiveness of Information Security governance should be conducted to ensure that Leadership Teams at all Partner Councils are sufficiently informed of the cyber risk environment in which they operate.*" Strata need to continue to provide leadership and timely advice in this area.

DAP has utilised the NCSC Cyber Essentials framework to provide assurance that security baselines are in place and sufficiently mitigate common risks. Strata's strong IT security capabilities measuring well against this framework, which does remain a valid assessment tool. However, whilst we still consider this framework to be of value, the National Cyber Security Strategy (2021 to 2030) introduces the Cyber Assessment Framework (CAF). This dramatically improves on the "Ten Steps" which it effectively

replaces and, provides a new framework upon which an organisations cyber resilience will be measured.

The emphasis in on taking a risk management approach to assessing each individual organisations needs so that mitigations are appropriate to its own requirements. The CAF will likely require much greater collaboration and standardisation between the Partners as risk and governance process differences will be highlighted as a weakness. Interestingly, the need to have greater policy standardisation has been identified within an Exeter City Council (ECC) audit report and this helps provide an example to be followed for areas of process related policies.

There remain opportunities to reduce software estates which would help free up capacity as well as reducing some information security risks, information management overheads and aid compliance (DPA 2018).

Despite the challenges of recent years, Strata remain well positioned to provide both Business as Usual (BAU) services and the enabling platform from which the Partners can look to perform the necessary Digital Transformation required to optimise financial and human resources. Much greater collaboration and alignment must be achieved if all parties are to gain best value for money, making service solutions more effective, efficient and economic to deliver.

4 Observations and Findings

4.1 Strategy & Governance

DAP's initial Strata IT report identified that *"potentially the biggest risk associated with the chosen strategic direction is that the three founding partners do not maintain a strong single vision for Strata."* Following their appointment, the new IT Director identified weaknesses in the governance structures which negatively impacted a range of areas, but also the ensuring of good customer satisfaction amongst Partner Senior Management.

This is something that may have been neglected in the past, there being a great deal of difference between the satisfaction of general users and that of the strategic decision makers. The IT Director has worked closely with the Partners to identify and introduce a new governance structure and Strata mandate. This will provide greater clarity of roles and responsibilities and help ensure that the Partners collectively identify and prioritise the work that Strata undertake.

The revised governance structure includes the Architecture Board, which will inform joint decision making on technology across the 3 partners. DAP have previously highlighted the lack of 'retained client' capabilities within the Partner authorities and the lack of an ICT Roadmap, with the latter recognised within Strata's Mandate and Key Responsibilities.

The objectives of the ICT Architecture Board capture the requirements for ensuring that previous weaknesses can be addressed as does the introduction of a Technical Design Architect role. This senior position will be responsible for the design of the future infrastructure estate and ensure any new software application is formally considered and complements the future direction.

Whilst Strata has successfully delivered significant cashable savings, the challenges faced by the Partner Council's require a collective and collaborative approach to drive shared digital transformation. This is fundamental to the Partners ability to successfully deliver its future services and they must better utilise Strata as a strategic enabler.

DAP is to look at governance during quarter four of the 2023/24 financial year.

4.2 Cyber Security

The Cyber Security Table of Disparity		
Function	**Partner Councils**	**Cyber Criminals**
Governance Arrangements	Complex, bureaucratic and slow to respond.	Clear, autocratic and responsive.
Business Objectives	Statutory, moral and complex.	Financial gain.
Financial Resources	Reducing and difficult to allocate to meet specific granular service objectives.	Growing, pooled and allocated as required to achieve financial gain.
Time Resources	Reducing and increasingly pressurised.	Allocated as required to meet with objectives.
Technological Resources	Cost limited and allocated to meet specific business needs.	Able to take advantage of rapid advances in computing power.
Knowledge Resources	Shrinking organisations with difficult recruitment & Retention environment.	Ever expanding with 'lesser' actors increasingly being provided with code to use and develop.

Background

The proliferation of the use of malware, and particularly ransomware, is an alarming consequence of the ever-increasing reliance upon information technology and use of logical data assets. The greater the opportunities, the greater the number of those wishing to exploit those opportunities. Almost all the logical data we hold has a financial value and Cyber Crime can be conducted from anywhere in the world.

The geo-political ramifications, especially of the Ukrainian conflict, adds additional jeopardy to this picture. The regular news accounts of Ransomware, which has afflicted a number of councils in the last five years, and the increasing threat of data being extracted as a form or extorsion to avoid disclosure, is all too common. These not only serve as a reminder of the impact that a cyber-attack can have on an organisation, but also the value of basic good practice.

Unsurprisingly the NCSC Annual Review 2023 identifies an increasing Russian threat within a specific case study, with 'Patriotic' actors able to work with less constraint than the state. But it is perhaps the highly successful Russian organised criminal gangs who also offer Ransomware as a Service (RaaS) that can potentially be considered of increasing concern.

NCSC write "*The ransomware model continues to evolve, with a well-developed business model, facilitating the proliferation of capabilities through RaaS. This is lowering the barriers to entry and smaller criminal groups are adopting ransomware and extortion tactics which are making a huge impact.*" Again, it follows that the greater the number of actors, the greater the attacks, the greater the opportunity.

Within this 'Russian' case study the NCSC does confirm that it is poor cyber hygiene (not following NCSC advise), and not sophistication, being the main reason for falling victim to

ransomware. This is confirmed by the Insurance sector that have recently identified that organisations following the Cyber Essentials framework made 80% less claims.

The recent Government Cyber Security Strategy (2022 to 2030) however introduces the Cyber Assessment Framework as the new standard Cyber approach for all UK government bodies and agencies. The Local Government Association has provided a Local Government variant which better meets the security posture expected of this sector.

Government and Industry consensus is that it is not a question of "if" but "when" organisations are compromised by a Cyber incident. The need to have resilience and recovery plans and, the ability to reinstate services following a successful cyber-attack, is now imperative.

July 2023 Review Findings

The level of control in the six areas reviewed remains at a good standard (Reasonable Assurance) with strengths being provided by technical, procedural and 'human' controls. Since our most recent review, there have been notable improvements have been made to strengthen the level of assurance of the overall control environment. Strata's PSN Certification for the three councils was renewed/ achieved during February 2023.

It is very evident that Strata subscribes to the mantra of Security in Depth which adds redundancy and resiliency to limit the impact of a particular security control failing or, failure to detect a particular threat. The increasing use of a combination of local onsite service delivery and 'Cloud' (third party hosted) adds further complications. Robust change processes and attention to detail is required, particularly when formerly onsite solutions are migrated to the cloud, where the risks are often subtly different.

The loss or compromise of individual network devices can present an organisation with a range of challenges, but the virtualised VMware environment adopted by Strata provides certain benefits. With all data being held centrally, the Partners' data is more readily protected against a potential malware infection spreading across the computerised estate. A further advantage exists due to all user devices receiving a new image each time a session is commenced and so any compromised device is effectively re-built, negating the need to physically re-image individual machines.

High privilege accounts have always been a challenge to manage appropriately and securely. The Azure Active Directory (Azure AD) is used for hybrid and cloud platforms and offers additional functions and opportunities for organisations. Azure AD Multi-Factor Authentication (MFA) is utilised for all Strata high privilege accounts and use is appropriately restricted within the network and security teams. Further work is to be conducted to segregate and monitor global admin accounts which should only be rarely used.

A minimal number of 'end of support' servers exist and these must be appropriately managed to maintain security before update to SQL Server 2016 devices. The 2022 Windows Server infrastructure introduces more security by default and the ability to manage security using security through default and fine tuning using the Security Compliance Manager. The ongoing upgrading of server infrastructure is a major contributor to network security and Strata must continue to advocate the ongoing update of network hardware to benefit from technological advances.

DAP commonly advocate the rationalisation of the software estate for security, value for money and compliance reasons, as well as the administrative management and support overheads they create. This also applies to the use of servers, but with the increasing

recognition of the material environmental impacts of ICT infrastructure and its carbon footprint.

The reduction of servers and the software they support should always be explored. Additional steps have been taken to improve the quality of information provided by logs. Monitoring is conducted to permit logs to be more effectively analysed and supplement alerts and warnings already embedded within existing software and workflow configuration.

Strata are experienced users of the Logpoint Security Information & Event Management solution (SIEM) for identifying threats from these technical logs from various systems including MS Defender and will further explore the use of the Microsoft (MS) Sentinel SIEM if the licencing programme is upgraded to 'E5'.

Patch Management, Firewall and Malware arrangements utilise a combination of well-known solutions. The Head of Security and Compliance maintains an up-to-date awareness of current threats and mitigations, which allows for security and operational needs to be kept in balance. All four firewall appliances have been replaced as well as the network load balancer.

Overall IT business continuity has been improved by the introduction of joined-up Business Continuity Plan (BCP) Disaster Recovery Plan (DRP) testing across the Partners and Strata. However, there remains wok to be done to ensure that the detailed operational needs and incident responses of the Partner Council are better embedded into plans and understanding.

The **details of observations and recommendations have not been published as part of this report.** A total of nine recommendations were made by DAP, with two 'High', five 'Medium' and two 'Low' priority actions agreed with management.

The following table summarises our assurance opinions on each of the individual areas covered during the Cyber review. Detailed Opinion Statements can be found in Appendix A. Definitions of the assurance opinion ratings can be found in the Appendix B.

1.	**Boundary firewalls and internet gateways** - Information, applications and computers within the organisation's internal networks are protected against unauthorised access and disclosure from the internet, using boundary firewalls, internet gateways or equivalent network devices.	**Reasonable Assurance**
2.	**Secure Configuration** - Computers and network devices are configured to reduce the level of inherent vulnerabilities and provide only the services required to fulfil their role.	**Reasonable Assurance**
3.	**Access Control** - User accounts, particularly those with special access privileges (e.g. administrative accounts) are assigned only to authorised individuals, managed effectively and provide the minimum level of access to applications, computers and networks.	**Reasonable Assurance**
4.	**Malware protection** - Computers that are exposed to the internet are protected against malware infection through the use of malware protection software.	**Reasonable Assurance**
5.	**Patch Management** - Software running on computers and network devices are kept up-to-date and have the latest security patches installed.	**Reasonable Assurance**
6.	**Backup & Business Continuity** - Backup procedures exist to safeguard the system and system data and provide for an appropriate 'point in time' restoration that accords to business needs.	**Limited Assurance**

4.3   Service Delivery

4.3.1 Alemba vFire ITSM & Asset Management

Background

It is fair to say that the development of the Alemba vFire IT Service Management (ITSM) solution has been slow. The Covid Pandemic occurred soon after its implementation and operational focus was rightly on keeping services running and effective during a challenging period for all. There has also been a period of consolidation and leadership changes that also negatively impacted progress.

Alemba vFire incorporates ITIL best practice principles, including key functions such as Change, Incident and Problem Management and, Request Fulfilment. This marries well with the new IT Directors intent to further strengthen key ITIL processes. The use of workflows and ITIL based configuration within the solution provide opportunities to reduce BAU and take advantage of further automation.

Asset Management within Strata has previously been severely impacted by the lack of ITSM development. Having previously used a bespoke 'in-house Configuration Management Database (CMDB) solution, that became impossible to maintain, a commercial offering was required. As an interim solution, spreadsheets were then utilised to provide the records of hardware and software assets. Understandably, these records contained inaccuracies and were difficult and time consuming to maintain.

Exeter City Council were sufficiently concerned to conduct their own audit which focussed of user devices and highlighted the weaknesses in record keeping and Joiner Mover Leaver (JML) processes as well as a lack of clarity about overall ownership of assets. Whilst the largely financial risk related issues identified by ECC have now been remedied, it must always be recognised that weak asset management provides poor operational value and introduces financial, reputational and security risks.

IT asset management (also known as ITAM) is the process of ensuring that all IT assets are accounted for, deployed, maintained, upgraded, and disposed of securely. In order to manage security risks to the organisation, a clear understanding of service dependencies is required. Assets should be clearly identified and recorded so that it is possible to identify those that are important to the delivery of the essential functions, and to know what needs to be protected.

Benefits that may be gained should relate to improvements in asset management and the CMDB. The use of a core repository to record hardware, software and end user devices potentially allows for more effective and efficient asset management and improved association of incidents and problems with Configuration Items (CI's).

Asset Management

Strata have made significant and material progress to address previous weaknesses in administering IT assets. The fundamental requirement to create and maintain an accurate CMDB on the ITSM has been completed, although work to further improve data quality is ongoing and incorporated into BAU activities. By creating a CMDB upon a recognised internationally utilised ITSM, Strata can now gain the benefits the workflow and asset management tools available.

Housekeeping and other BAU activities are in place to continue to update and validate the accuracy and integrity of asset records. In using a dedicated and fully functioning CMDB, Strata can now take advantage of opportunities to use software tools and scripts to extract

and triangulate logical data. Activities include linking payroll data with the Active Directory used to manage network devices and access.

Governance and ownership are also pending improvement, with responsibilities for hardware and software assets being formally assigned to positions within the re-structured Service Desk Team. The Service Desk Manager has also had formal conversations with the Team so that the importance of the asset management processes and the role that they individually perform.

An additional benefit of utilising structured quality data is that it creates opportunities to harvest intelligence to aid management decisions and allow for the publishing of real-time information using dashboards. Strata are currently using Microsoft PowerBI to create dashboards to create inward and outward facing information.

Whilst it is considered by DAP that the software tools, and associated operational tasks, that have been put in place, the performing of periodic spot checks to confirm user ownership and locality of devices may add an additional layer of validation. This would apply to both the CMDB record and the software tools and processes in place to manage hardware assets.

Using a range of intelligence sources to optimise hardware and software asset utilisation can always be improved to gain best value from all IT assets. Now that proper foundations have been put in place, Strata should continue to explore how this area can be continually improved.

In summary, the establishment of a robust CMDB has helped mitigate risks, improve value for money and improve security as follows:

Function	Observed Improvements
Plan	Improves the ability to identify what ICT assets are required to meet the needs of the business and estimate future budgetary requirements. Potential for greater use of monitoring and metrics to provide intelligence around asset utilisation and the total cost of ownership.
Procure	Ensures that the assets are appropriately specified and best value is achieved when committing to a purchase. Also contributes to budgetary control and information security by reducing shadow IT and rogue IT procurements.
Deploy	Processes have been introduced to ensure all assets are built into the CMDB, labelled with unique reference, appropriately distributed and stored.
Manage	The ability to manage IT assets relies on accuracy and visibility and so the creation of an effective CMDB and processes to maintain quality dramatically improve the ability (and potential opportunities) to improve the other four asset management functions.
Retire	Provides greater visibility so that the suitability, warranty and age to manage retirement (understanding costs and arrange for safe disposal).

4.3.2 Financial Management

Strata have also made progress in terms of financial management, something that is remains a challenge to many local government IT service providers whose roots stem from their previous 'in-house' function. Of fundamental importance to Strata and the Partners is the ability to benefit from more granular budgeting monitoring and reporting, enabling

better forecasting of budget underspend, which in turn will lead to better in year use of resource.

The more effective use of the CMDB, and associated use of validating software tools, allows for more detailed financial analysis. The allocation of cost centres against hardware and software Configuration Items (CI)*, is providing Strata with information to more accurately re-charge costs.

Software licenses can now be managed with the aid of PowerBI dashboards and benefit from having clearer visibility on key information required to administer them. This is not only important for improving compliance management, but crucially, allows for ensuring that licence costs can be minimised through optimising the licences allocated, better understanding minimal licence requirements and permitting more timely negotiation of new agreements. Reporting Dashboards have also been provided to facilitate the Partners in viewing up to date Contract Management information.

> * Configuration Items are items within/ used within the network environment that must be uniquely distinguished to allow for their appropriate management.

4.3.3 Operational Functions

The lack of an evolved ITSM also limits the obtaining of value for money and delivery of service improvements. ITIL functions such as Event, Change and Incident Management processes all benefit from the existence of structured process mapping, workflow and data. Improvements again exist in the provision of up-to-date dashboard information.

Strata have employed a service design professional to assist with the development of their ITIL functions and processes. This is timely as this allows for better development of the ITSM processes and workflows which should add value to key processes and functions. Early results include the revision of Internal Service Level Agreements (SLAs) for Incident and Problem Management as well as Service Requests.

The effective fulfilment of non-standard work requests has previously been challenging and difficult administer. Work has been focussed over the past twelve months to address this so that these requests can be processed more efficiently and effectively. It is important to process non-standard work requests efficiently so that capacity can be maximised and reduce the need for formal projects to be created.

Agile principles have been applied and requested work displayed on a Kanban Board to provide the Partners with increased visibility. This allows them to see all scheduled work which, crucially, enables better prioritisation. This approach has resulted in a 20% reduction in the number of queued requests freeing capacity to focus on priority work.

4.3.3 User Management or Joiner/ Mover/ Leaver (JML) Process

JML processes are notoriously difficult to manage in a way that achieves high levels of process compliance that would better safeguard user and asset management standards. There remains a need to embed standard JML processes across the three Partner authorities. Utilising the CMDB to hold user information and assign CI's aids significant improvement to end-to-end JML processes.

Whilst work to ensure better consistency is underway, there may be a period of adjustment where practices are changed to facilitate alignment. As alluded to earlier in this report, the CAF will require better alignment of non-technical processes such as Supplier Management, Risk Management, and Business Continuity Planning. Any lesson learnt from any process alignment would be of value to any CAF related changes and any future partnership working.

A task to identify where a user has not logged onto the network for 30 days is undertaken so that the user account can be suspended, better safeguarding network security and, where appropriate, contact service areas for to understand the reason for network absence. This also provides a compensating control where Stata have not been appropriately updated by Partner HR services.

4.3.4 Minimising the Software Estate

There are material inefficiencies in maintaining too many business solutions for the Partners. DAP have always promoted to the importance for organisations to minimising the software estate and, with Strata providing services to the three Partners, there is both an increase in risk and opportunities.

One of Strata's new principles is that of 'system simplicity' and it is clearly defined that Strata will *"look to reduce and consolidate our software estate and collaborate and combine processes where appropriate".* Whilst that some capacity would be required to undertake the work to reduce the estate, there are many financial, operational benefits to be gained as well as mitigating information risks.

Most public sector organisations are struggling to maintain the necessary capacity to ensure that services are delivered and so the reduction of the number of systems administer contributes freeing up capacity that could be better utilised. The rationalising and alignment of the combined software estates to create financial savings and efficiencies has been one of the business change drivers for the Partners since the creation of Strata.

The reduction of the Partners software estate is not only fundamentally important to the reduction of costs and improved information management, but also information and network security.

There are four clear security weaknesses in having too large a software estate, namely:
- Knowledge - The expertise required to maintain a wide range of business solutions securely.
- Volume - The variety of middleware required to make them operate (often with known vulnerabilities).
- Capacity - Increased numbers of BAU and scan vulnerability remedial actions created consume resources.
- Patching – The higher the number of differing business systems, the easier it is to miss critical patching of the solution or supplementary software.

4.3.5 Information Security Governance

The true level of cyber threat is naturally only really understood by security professionals, Chief Information Officers (CIO) and appropriately knowledgeable IT Managers and IT professionals. It is, therefore, important that Strata continue to highlight the true nature and impact of a successful cyber-attack so that appropriate governance, communication and funding are consummate with the overall risk.

Individual services within the Partner Councils are overseen and governed by senior managers who are subject area experts and who understand how they can best operate with the resources they have. Since all IT Security expertise resides within Strata, there is a real and developing risk that information security understanding and decisions are not fully informed. Incorporating 'security by design' principles into the IT Roadmap and the Architecture helps ensure that new systems are fit for purpose in the current global threat landscape and also aid awareness and learning within key client-side roles.

Strata must continue to effectively convey a strong message so that the Partners recognise

the level of risk posed by the need to modernise how we obtain, store and use information presents within the current cyber risk environment. Again, alignment of policy, practice and awareness training are significant contributors to effective risk management and mitigation.

Assurance Opinion on Specific Sections

The following table summarises our assurance opinions on each of the areas covered during the audit. These combine to provide the overall assurance opinion at Section 2 and Opinion Statements to support the levels of assurance for each Risk/Area covered are provided in Appendix A. Definitions of the assurance opinion ratings can be found in the Appendix B.

Risks / Areas Covered		Level of Assurance
1	**Strategy & Governance**	Reasonable Assurance
2	**Cyber Security**	Reasonable Assurance
3	**Service Delivery**	Reasonable Assurance

The findings and recommendations in relation to each of these areas are discussed in the "Detailed Audit Observations and Action Plan" appendix. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed.

Inherent Limitations

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

Acknowledgements

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

Craig Moodie
Senior Auditor

Appendix A

Opinion Statements

1. Area Covered: Strategy & Governance	Level of Assurance
Opinion Statement: The Strategic approach remains both valid and in line with the concept of greater partnering and collaboration. Business Plans have remained of a high quality and assists in detailing and measuring the value of services delivered. The use of metrics to evaluate service delivery and satisfaction remain effective, though use of goal driven metrics to reflect key business objectives can always be better evolved to remain valid. Changes to approach and governance arrangements will help provide better prioritisation and potentially help improve satisfaction at senior management levels within the Partner organisations. To date, the relatively low level of partnering and collaboration has limited the value of the delivery model and fails to take advantage of the opportunities available. The changes to both governance and the organisational structure made by the new IT Director should help to better inform work prioritisation and the IT Roadmap. This will assist in driving collaborative digital transformation, obtaining value for money and better serve Strata in its role as an enabler. The need to maintain robust Cyber Security to help mitigate the ever-evolving cyber threat landscape remains paramount to safeguarding service delivery. Adherence to NCSC guidance and frameworks is proven in helping organisations maintain good cyber hygiene and mitigate risks. Strata should continue to lead in this area so that Partners remain informed and security is built into design and live operation. The NCSC Cyber Assessment Framework (CAF) will require better alignment of governance arrangements, including information security policies and recognition of the value of taking a risk management approach.	**Reasonable Assurance**
2. Cyber Security	Level of Assurance
Opinion Statement: *Firewall -* All four firewall appliances have been regularly updated to mitigate against disclosed vulnerabilities. Logging and monitoring accords closely with good practice, using a recognised solution (Logpoint) and further supplementing with Surecloud for vulnerability scanning and port status reporting on 'undenied' inbound port traffic. PSN CoCo Compliance was achieved in February 2023. *Secure Configuration* – Server infrastructure is well administered with best practice observed as appropriate. However, Windows Server versions are varied and this requires careful management as older versions become outdated,	**Reasonable Assurance**

unsupported and potentially insecure. There is also a need to keep compatibility with the many third party and in-house systems that tend to have a lag before supporting later versions. Again, another reason to rationalise and modernise.

The current operational requirement for approximately 480 servers represents a significant attack surface. Each server must be securely administered, costs money and has an environmental impact and the reduction in the number of systems used and the number of servers required would produce multiple benefits.

Access Control – This commonly challenging area is managed with a great deal of awareness and, importantly, high privilege accounts are subject to logging and monitoring. The move to the M365 platform, and current threat landscape, has prompted a review which is being undertaken to inform both the administering of high privilege accounts and, new policy. A commitment to Microsoft E5 licence would provide material opportunities for security and compliance improvements.

Malware Protection – Layers of controls ("defence in depth"), are provided by a variety of recognised software solutions providing good assurance. A proactive stance to email and web browser filtering is taken by the Security Team, helping to mitigate certain user behaviour risks. The deployment over a standard and more flexible desktop over the advantageous virtual desktop provides both administrative, security and incident response benefits.

Patch Management – A range of Microsoft and VMWare solutions are used to administer this crucial area. These update a virtualised 'Golden Image' which provides the standardisation so important in maintaining secure devices and environments.

Backup & Business Continuity – The key area of weakness relates to the increasingly hybrid arrangement with Microsoft 365 and the potential unavailability of services, most likely due to unforeseen internet connectivity issues. Business Continuity and Recovery plans are in place but these need to be revisited and finalised to better reflect current service area operational needs in the current threat environment. Good practice is followed in respect of frequent testing of the backup solution and the ability to restore systems and data, as is the existence of anti-ransomware for the Oakwood backup servers.
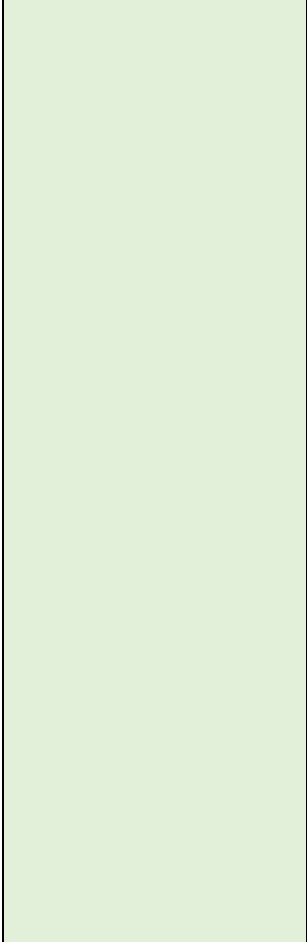
| 3. Area Covered: Service Delivery	
Opinion Statement:	
The new IT Director has identified the need for changes to a range of operational functions and processes. This will be further enhanced by the six month employment of a service design professional to assist in the embedding of new ITIL processes. Whilst ITIL processes have previously been followed, the IT Director is looking to instigate changes to better enable the delivery of the changing Partner requirements. This fits with the ITIL ethos of continual service improvement and that all processes must add value.	**Reasonable Assurance**

The application of 'Agile' principles, and the creation of dashboards to allow for greater visibility, have resulted in a 20% reduction in the non-standard service request backlog. This is a material benefit as it frees up capacity for undertaking higher priority work and acts as an example of the benefits of continual service improvement.

The previously underdeveloped Alemba vFire ITSM has seen notable improvements with the Configuration Management Database (CMDB) now containing sufficient information to allow for significantly better Asset and Financial Management. There are clearly financial and budgetary benefits in ensuring that all assets are fully utilised and that their distribution is known. This also allows for more accurate allocation of costs and the identification of assets reaching end of life use which supports better budgetary visibility and planning. There are also security benefits to be gained.

JML processes are improving wit compensating controls in place to provide for more timely an accurate administering of access to systems and data. However, further alignment of policy and process would provide better value for money, being more effective, efficient and economic to administer.
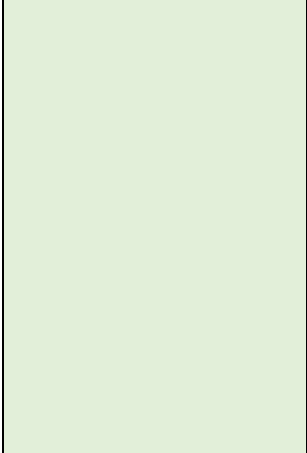
Scope and Objectives

The objective of this report is to provide an overview summary of the effectiveness of Strata's ability to deliver IT services to the Partners and of the effectiveness of the internal controls and procedures in place.

Inherent Limitations

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

Confidentiality under the National Protective Marking Scheme

This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies. This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.

Marking	Definitions
Official	The majority of information that is created or processed by the public sector. This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media, but are not subject to a heightened threat profile.
Official: Sensitive	A limited subset of OFFICIAL information could have more damaging consequences if it were lost, stolen or published in the media. This subset of information should still be managed within the 'OFFICIAL' classification tier but may attract additional measures to reinforce the 'need to know'. In such cases where there is a clear and justifiable requirement to reinforce the 'need to know', assets should be conspicuously marked: 'OFFICIAL–SENSITIVE'. All documents marked OFFICIAL: SENSITIVE must be handled appropriately and with extra care, to ensure the information is not accessed by unauthorised people.

Definitions of Audit Assurance Opinion Levels

Definition of Observation Priority

Assurance	Definition
Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
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.

Priority	Definition
High	A significant finding. A key control is absent or is being compromised; if not acted upon this could result in high exposure to risk. Failure to address could result in internal or external responsibilities and obligations not being met.
Medium	Control arrangements not operating as required resulting in a moderate exposure to risk. This could result in minor disruption of service, undetected errors or inefficiencies in service provision. Important observations made to improve internal control arrangements and manage identified risks.
Low	Low risk issues, minor system compliance concerns or process inefficiencies where benefit would be gained from improving arrangements. Management should review, make changes if considered necessary or formally agree to accept the risks. These issues may be dealt with outside of the formal report during the course of the audit.
Opportunity	An observation to drive operational improvement which may enable efficiency savings to be realised, capacity to be created, support opportunity for commercialisation / income generation or improve customer experience. These observations do not feed into the assurance control environment.

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Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, South Hams & West Devon, Torridge, North Devon councils and Devon & Somerset Fire and Rescue Service. We aim to be recognised as a high-quality internal audit service in the public sector. We collaborate with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In conducting our work, we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at tony.d.rose@devon.gov.uk

Report to: **Audit and Governance Committee**

Date of Meeting 19 September 2024

Document classification: Part A Public Document

Exemption applied: None

Review date for release N/A

Risk project update

Report summary:

It has been recognised that we need to review our risk management practices including undertaking a full review of our risk register entries. In order to support this work, we have engaged with a risk specialist from Gallagher Bassett.

This report proposes a project to undertake this review, with the included project plan which has been approved by the Senior Leadership Team.

Is the proposed decision in accordance with:

Budget   Yes ☒ No ☐

Policy Framework   Yes ☒ No ☐

Recommendation:

(1) That the A&G Committee notes the risk project and endorses the way forward.

Reason for recommendation:

To ensure that risk management is undertaken in line with new best practice.

Officer: Joanne Avery, Management Information Officer, javery@eastdevon.gov.uk

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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
☐ Culture, Leisure, Sport and Tourism

Equalities impact Low Impact

Climate change Low Impact

Risk: Medium Risk; There are reputational and organisational risks if we do not ensure that we address the recommendations from the Peer Challenge.

Links to background information Appendix a – Peer Challenge delivery plan

Link to [Council Plan](#)

Priorities (check which apply)

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

Report in full

1. Carl Dunckley from Gallagher Bassett (GB) undertook a risk health check to assessment of the degree of maturity and effectiveness of our current risk management practices. This review was designed to provide an invaluable third-party perspective on the perceived strengths and weaknesses of risk management practices within EDDC and identify opportunities for potential improvement. The following executive summary from the report outlines the main feedback of the report.

2. Risk Health Check Executive Summary

   The Council demonstrates a fundamental commitment to embrace risk management as an essential management practice and embed it within the organisational culture.

   The risk management cause is promoted as an essential management discipline by key stakeholders within the organisation. These stakeholders have demonstrated an ongoing commitment to invest valuable time and resource into the practice in order to maximise the associated value.

   In order to assist the organisation in making further improvements, it should consider:

   — Improving risk management capabilities and understanding through a dedicated programme of organisational learning (training) at all levels.
   — Ensuring risk management is fully aligned to and embedded within organisational business planning / service delivery processes as well as personal management, development and performance programmes.
   — Ensuring that a dedicated approach to partnership risk management is developed and implemented to ensure risk management is consistently applied across all partnership working activities.
   — Seeking to maximise the value of information technology by reviewing its needs in respect of a risk management system to ensure an enhanced ability to manage risk in real time and share risk information efficiently.
   — Publicly celebrating risk management successes within the Council, as well as publishing lessons learned from failures.
   — Developing a risk appetite statement.

   The full risk heath check report is available on the member directory.

3. A project plan has been drawn up in order to progress the recommendations from the health check including reviewing our risk register and our risk management processes. The project plan for this work is outlined below. The plan summarises the current context, project purpose and proposed outcomes, the key activities that will be undertaken and what resources will be required.

4. Proposed action plan

GB to facilitate risk workshops for us – one for each directorate	2nd and 3rd October

Hold an SLT risk workshop to look at corporate risk	TBC - October
Collate and prioritise recommendations from the risk audit and health check.	November
Report back to A&G	21st November meeting
Review our risk process and policy taking in consideration of the last GT audit and the risk health check. Review including elements such as, • Training • Risk identification. • Timings of risk reviews • Committee reporting • New risk software	Jan / Feb
Map our risk management processes – informing our risk policy.	Jan / Feb
Gallagher Bassett to provide updated risk training for members including A&G and cabinet.	Date TBC
Provide updated risk training to staff.	March
Risk appetite review	April

The Senior Leadership Team have endorsed the following project plan.

Risk Review Project Plan

1. Context for the work
- **External (e.g. PESTLE)**
  - External risks must be identified, monitored and managed.
  - Audit compliance and Peer Challenge recommendations.
  - Gallagher Bassett health check report.
- **Internal (e.g. SWOT)**

Strengths	Weaknesses
• Risk register in place. • Management and committee support for Risk Management. • SLT buy in for Risk Management. • Gallagher Bassett (GB) support and specialist support. • GB Health Check report.	• Not consistent up to date risk entries. • Discipline around the management/reviewing of risks has reduced. • No template for new risks. • Concerns that there are risk gaps. • Potential gaps in risk understanding and knowledge. • Organisation capacity within service areas to review risks and maintain oversight and monitoring as well as corporate resource to co-ordinate. • Current risk software is out of date and difficult to navigate.
Opportunities	Threats
• New risk management software. • Expert help being provided by Gallagher Bassett. • New eLearning (Totara) system could be utilised to support risk compliance	• Some risks are out of date. • Risks don't reflect the current internal or external risks. • Not managing our risks effectively.

through training opportunities. Also GB have offered training.	
• Building a new risk assessment template could ensure consistency.	
• New ELT/SLT governance and reporting arrangements – opportunity to provide greater clarity about where risks are reported.	
• Could AI support us with risk development?	

2. Purpose & scope

To make improvements to the management of risk by reviewing the whole approach to the identification, mitigation, monitoring and reporting of strategic and operational risks and introducing a revised approach.

In scope:
- Reviewing all risks within our risk register.
- Reviewing our risk policy and processes and amending them as needed in line with audit recommendations.
- Storage of the risk register and access to them.
- Reporting of our risks internally and externally.
- Support and training on risk management including eLearning and other mandatory training as part of staff and member induction and during employment/member tenure.
- Process for identification, mitigation, monitoring and reporting of strategic and operational risks.
- Reviewing our risk appetite.

Out of scope:
-

3. Outcomes
- The risk policy and management reflect external and internal requirements.
- There is a shared understanding of risk management approach, identification, mitigation, monitoring and reporting of strategic and operational risks.
- There is clarity about who is responsible for risk management in services.
- The risk register is easy to access in a shared and secure space which also includes related guidance, support and templates.
- Risk reports are appropriately disseminated to councillors and employees and externally, as required.
- There is clarity about what training and other support is in place to support risk management and all councillors and employees utilise this support and training, with appropriate monitoring arrangements in place to ensure employee and member compliance.
- There is an effective monitoring system in place for the review of all risks, with regular reporting of the policy register to ELT/SLT.

4. Resources & stakeholders
Resources required to undertake this work:
- Simon Davey Director of Finance – Project Sponsor
- Andrew Hopkins, Corporate Lead – Communications, Digital Services and Engagement Project Lead.
- Joanne Avery, Management Information Officer – project officer.

- Carl Dunckley – Gallagher Bassett Risk Specialist.
- Ben Drake, Process Improvement Analyst – support process mapping.
- Democratic services link officer (TBC) – advise and support on member approval process and induction and training of members to ensure risk compliance.
- Communications team (TBC) – advise and support on internal and external dissemination of risk.
- SWAP audit services – for audit view and recommendations / suggestions around risk monitoring .

Below summarises the key stakeholders that we will need to engage with this project. Stakeholder engagement forms part of the project lead and project officer roles and the methods for achieving this will be agreed by the project lead, in liaison with ELT/SLT as required.

Stakeholders:		
INFLUENCE	**KEEP SATISFIED** ELT/SLT Members? SWAP	**ACTIVELY ENGAGE & MANAGE CLOSELY** SLT Digital Team Communications Team EDI Advisor L&D Support Officer Dem Services
	MONITOR Other council risk leads Strata	**KEEP INFORMED** ELT/SLT Members?
	INTEREST	

5. Timeline and planned activities

Activity	Timescale	Who
Agree project plan with ELT and SLT	August 24	JA
GB to facilitate risk workshops for us – one for each directorate	2nd and 3rd October	GB/JA
Hold an SLT risk workshop to look at corporate risk	TBC - October	GB/JA
Collate and prioritise recommendations from the risk audit and health check.	November	JA
Report back to A&G	21st November meeting	JA/SD
Review our risk process and policy taking in consideration of the last GT audit and the risk health check. Review including elements such as, - Training - Risk identification. - Timings of risk reviews - Committee reporting - New risk software	Jan / Feb	JA/SD
Map our risk management processes – informing our risk policy.	Jan / Feb	JA/BD
Gallagher Bassett to provide updated risk training for members including A&G and cabinet.	TBC	GT
Provide updated risk training staff.	March	GB

Risk appetite review	April	GB/JA

Financial implications:

There are no immediate financial implications.

Legal implications:

There are no immediate financial implications.

Audit and Governance Committee
19 September 2024

Audit and Governance Committee

Forward Plan 2024/25

Date of Committee	Report	Lead Officer
21 November 2024	- Internal Audit Plan Progress report 2024/25 - Interim Auditor's Annual Report 2022/23 - Fraud Strategy Delivery Plan - Project review of Housing procurement (Part B) - Financial Monitoring report 2023/24 - Month 4	SWAP Grant Thornton Assistant Director – Fraud & Compliance Director of Finance Finance Manager
16 January 2025	- Internal Audit Progress Report – December 2023 - Risk Policy update 'Time for change' - External Auditor updates	SWAP Director of Finance Grant Thornton
20 March 2025	- Annual Audit Plan 2024/25 and Review of Internal Audit Charter - Internal Audit Plan Progress - Auditor's Annual Report - Audit Committee update - Partnership Review 2023 - Accounting Policies Approval	SWAP Grant Thornton Management Information Officer Financial Services Manager

Training Plan 2024/25

Topic	Delivered by	Timescale
Understanding of Local Authority Governance	S151 and Monitoring Officers Input from Grant Thornton & SWAP	Sept 2024
Counter-Fraud role and practice in Council	SWAP & Assistant Director – Revenues, Benefits, Customer Services, Fraud & Compliance	Nov 2024
Treasury Management (Available to all members)	Link - Appointed treasury advisors	Jan 2025
Financial Management & Statement of Accounts	S151 & D151	May 2025
Risk Management	Gallagher Bassett – Appointed insurance advisors	To be scheduled