



## Public Document Pack

North Devon Council  
Brynsworthy Environment Centre  
Barnstaple  
North Devon EX31 3NP

K. Miles  
Chief Executive.

### **GOVERNANCE COMMITTEE**

A meeting of the Governance Committee will be held as a Virtual – Online meeting on **TUESDAY, 9TH MARCH, 2021 at 6.30 pm.**

Members of the Governance Committee      Councillor Roome (Chair)

Councillors Bushell, Campbell, Jenkins, Lane, Luggar, Phillips, Topps and Walker

### **AGENDA**

1. Virtual meetings procedure - briefing and etiquette  
Chair to report.
2. Apologies for absence
3. To approve as a correct record the minutes of the meeting held on 12th January 2021 (Pages 7 - 14)
4. Items brought forward which in the opinion of the Chair should be considered by the meeting as a matter of urgency.
5. Declarations of Interests.  
(Please complete the form provided at the meeting or telephone Corporate and Community Services to prepare a form for your signature before the meeting. Interests must be re-declared when the item is called, and Councillors must leave the room if necessary.)
6. To agree the agenda between Part 'A' and Part 'B' (Confidential Restricted Information).

### **PART A**

7. **Review of the Committee's Terms of Reference** (Pages 15 - 18)  
Report by the Monitoring Officer (attached).
8. **Annual Review of the Committee's Effectiveness**  
Head of Resources to report.
9. **Half Yearly Report from the Chair of the Governance Committee** (Pages 19 - 28)

Report by the Chair (attached).

10. **Internal Audit Report - Leisure Centre Project** (Pages 29 - 38)  
Report by Devon Audit Partnership (attached).
11. **Internal Audit Plan Report 2021-22** (Pages 39 - 54)  
Report by Devon Audit Partnership (attached).
12. **Internal Audit Charter and Strategy 2021-22** (Pages 55 - 74)  
Report by Devon Audit Partnership (attached).
13. **Internal Audit Progress Report** (Pages 75 - 84)  
Report by Devon Audit Partnership (attached).
14. **External Audit - Progress Report and Sector Update** (Pages 85 - 94)  
Report by Grant Thornton (attached).
15. **Audit Recommendation Tracker** (Pages 95 - 100)  
Report by the Chief Executive (attached).
16. **Work Programme** (Pages 101 - 108)  
To consider the Work Programmes 2020-2021 and 2021-2022 (attached).
17. **Exclusion of Public and Press and Restriction of Documents**  
RECOMMENDED:
  - (a) That, under Section 100A(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item as it involves the likely disclosure of exempt information as defined by Paragraph 3 of Part 1 of the Schedule 12A of the Act (as amended from time to time), namely information relating to the financial or business affairs of any particular person (including the authority holding that information).
  - (b) That all documents and reports relating to the item be confirmed as “Not for Publication”.

## **PART B (CONFIDENTIAL RESTRICTED INFORMATION)**

18. **Corporate Risk Register** (Pages 109 - 148)  
Report by the Chief Executive (attached).

**If you have any enquiries about this agenda, please contact Corporate and Community Services, telephone 01271 388253**

1.03.21



## **North Devon Council protocol on recording/filming at Council meetings**

The Council is committed to openness and transparency in its decision-making. Recording is permitted at Council meetings that are open to the public. The Council understands that some members of the public attending its meetings may not wish to be recorded. The Chairman of the meeting will make sure any request not to be recorded is respected.

The rules that the Council will apply are:

1. The recording must be overt (clearly visible to anyone at the meeting) and must not disrupt proceedings. The Council will put signs up at any meeting where we know recording is taking place and a reminder will be issued at the commencement of virtual meetings.
2. The Chairman of the meeting has absolute discretion to stop or suspend recording if, in their opinion, continuing to do so would prejudice proceedings at the meeting or if the person recording is in breach of these rules.
3. We will ask for recording to stop if the meeting goes into 'part B' where the public is excluded for confidentiality reasons. In such a case, the person filming should leave the room ensuring all recording equipment is switched off. In a virtual meeting the public will be excluded from the meeting while in Part B.
4. Any member of the public has the right not to be recorded. We ensure that agendas for, and signage at, Council meetings make it clear that recording can take place – anyone not wishing to be recorded must advise the Chairman at the earliest opportunity. Public contributions to virtual meetings will be recorded, unless, at the Chair's discretion, recording is deemed inappropriate in accordance with point 2 above.
5. The recording should not be edited in a way that could lead to misinterpretation or misrepresentation of the proceedings or in a way that ridicules or shows a lack of respect for those in the recording. The Council would expect any recording in breach of these rules to be removed from public view.

### **Notes for guidance:**

Please contact either our Corporate and Community Services team or our Communications team in advance of the meeting you wish to record at so we can make all the necessary arrangements for you on the day.

For more information contact the Corporate and Community Services team on **01271 388253** or email **memberservices@northdevon.gov.uk** or the Communications Team on **01271 388278**, email **communications@northdevon.gov.uk**.



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**NORTH DEVON COUNCIL**

Minutes of a meeting of Governance Committee held at Virtual - Online meeting on Tuesday, 12th January, 2021 at 6.30 pm

PRESENT: Members:

Councillor Roome (Chair)

Councillors Jenkins, Lane, Luggar, Phillips and Walker

Officers:

Chief Executive and Accountancy Services Manager

Also Present:

Councillor Wilkinson

**119. VIRTUAL MEETINGS PROCEDURE - BRIEFING AND ETIQUETTE**

The Corporate and Community Services Officer advised the Committee of the etiquette and procedure for virtual meetings.

**120. APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillor Campbell.

**121. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE MEETING HELD ON 3RD NOVEMBER 2020 SUBJECT TO:**

RESOLVED that the minutes of the meeting held on 3<sup>rd</sup> November 2020 (circulated previously) be approved as a correct record and signed by the Chair subject to the replacement of the word "Insurance" with "Assurance" in minute 114.

**122. DECLARATIONS OF INTERESTS.**

There were no declarations of interest declared

**123. UPDATE ON GOVERNANCE ARRANGEMENTS**

The Chief Executive presented the Committee with an Update on Governance arrangements.

He advised the Committee of the following:

- This update had been brought to the Committee in order to review the changes made to the Governance arrangements.
- In December 2020 the Chief Executive had written to the Members for their opinions. Five of the Members had responded. The Chief Executive felt that the Members may have misunderstood the questions as some answers were in relation to the holding of remote meetings etc.
- The comments from those five Members included the following
  - Although community safety now fell within the remit of the Licensing Committee, not much had been discussed in relation to that issue.
  - Lead Members were not also members of the Strategy and Resources (S&R) Committee and there were some Members who felt that they should be. This was not put in the Constitution as it was felt at the time that there should be greater flexibility over who should be appointed as a Lead Member. The Members liked the briefings which were now more frequent.
  - It was felt that little 'steer' was coming from the S&R Committee.
  - Policy and Development needed to be developed further. The Chief Executive added that at the next meeting the Committee would be looking at agricultural issues.
  - The lack of an Environmental Committee was raised. The Chief Executive advised that this was fed through the S&R Committee, likewise issues such as Housing etc. This was a feature of the streamlined committee system that the Authority had adopted and increasing the number of committees would start to make the system unwieldy again and lose the advantages of the current system.
- In conclusion, the Chief Executive felt there was a general contentment with the arrangements in place and that no major changes were required.
- The Peer Review had suggested work could be done in the development of the Lead Member roles.
- Virtual meetings had been welcomed by those who also worked (\*alongside being Members) and those with mobility issues.
- At Full Council a motion was being put forward to lobby the Government to allow the holding of virtual meetings to continue past the current cut-off date in May 2021. Many other Authorities were looking to do the same.

In response to questions from the Committee, The Chief Executive advised:

- If the Lead Members were to be required to be drawn from Members of the S&R Committee the question of proportionality would need to be addressed. Currently there was greater flexibility which enabled those with relevant experience to be Lead Members. There was no recommendation to make changes. This had been raised by one Councillor.

The Chair advised that as Lead Members, Councillors could attend the S&R Committee, or approach a Chair of a Committee if a decision was required if relevant. They did not need to be Members of the Committee.

RESOLVED that the update on Governance Arrangements be noted.



**124.            UPDATE ON BUSINESS CONTINUITY**

The Chief Executive presented the Committee with an Update on Business Continuity.

He advised the Committee of the following:

- The Authority was developing a program to assimilate Business Continuity into normal business procedure and to review this to address cultural change.
- Over the past nine months the Authority had taken large strides to ensure continual review was part of daily work within teams.
- The preparation for Britain's exit from the European Union ('Brexit' / 'D-20') had assisted with that as plans had been developed for both an imminent 'Brexit' and a 'No-deal' 'Brexit'. Issues such as the possibility of fuel shortages had been considered. All services had added this to their resumption plans.
- A Corporate Resumption plan was being developed which would highlight which services and systems would be a priority to be operational on day one following an incident.
- Consultation with Managers would be carried out soon; with the resulting plans to be presented to the Senior Management Team (SMT).
- Business Continuity Best Practice – guidance 2018 was being followed.

RESOLVED:

- (a) that a further Business Continuity update be provided in two cycles, and
- (b) that the update on Business Continuity be noted.

**125.            INTERNAL AUDIT PROGRESS REPORT**

The Committee considered a report by Devon Audit Partnership regarding the Internal Audit progress report for 2020/21 (circulated previously).

The Committee was advised of the following in relation to the Internal Audit Progress Report 2020/21:

- An opinion of Reasonable Assurance had been given for 2020/21.
- Six audits had been completed.
- Risk Management Review had not been included but had also achieved 'Reasonable assurance'
- All of those complete to date had been at a level of Reasonable Assurance, with one (Income collection) reaching 'Substantial'.
- An updated Assurance map would be presented to the Committee in March 2021.

- As a result of Covid-19 it had been agreed to defer some non-core audits into 2021/22.
- During December 2020 two audits were taken forward to provide assurance on safe working operations during the pandemic. Risk assessments were ongoing, and a staff survey had recently been issued. The assurance opinion was to be confirmed.
- The bulk of the revised audit plan was expected to be completed by the financial year end.
- Work had started on the plan for 2021/22. This would include any works not completed during the 2020/21 plan.
- The plans had been adjusted across all partners as the lockdowns had occurred.
- A new approach was being considered for 2021/22 which was more flexible as priorities and risks changed.
- Works on Cyber Security would commence in February 2021. The Government had identified Ransomware as a particular concern.

In response to questions from the Committee, the following was advised:

- The amounts involved in the journal adjustments were not large and similar arrangements were in place in many Authorities. The Auditors had no undue concerns regarding these checks.
- A journal was an internal movement of funds by a system of cost codes. The Accountancy Manager reviewed any in excess of £10,000.
- There would be no reduction in Audit fees as a result of the reduction in days of work performed by the Auditors.
- Policies and arrangements designed to prevent and reduce fraud, such as on Pay and Display, and Benefits, were being examined. If there were concerns over additional works such as Covid grants this could be undertaken if required.

The Chief Executive advised that audits such as Climate change, Cyber Security, and Covid security were especially relevant at present and would add value to the Authority's operations. The ability to target audits as required was welcomed. The experience and advice of the Auditors was beneficial.

The Committee discussed the advantages of appointing an independent member to the Governance Committee. The Committee noted that whilst the idea was well received there could be difficulty in appointing someone with the right skill set and experience to the role.

The Chief Executive added that there would be a need for an amendment to the Authority's Constitution which would allow the Committee to both appoint an independent member but also to function without one if the situation arose.

The Committee thanked the Auditors for their report which they had found to be comprehensive and easy to understand.

RESOLVED that the Internal Audit Progress report be noted.

**126.            EXTERNAL AUDIT ANNUAL AUDIT LETTER**

The Committee considered a report by Grant Thornton regarding the External Audit Annual Audit Letter (circulated previously).

The External Auditor (PB) confirmed:

- The final decision had been delayed as the Auditors waited on Devon Pensions figures. That had been received and a Unqualified decision had been made on 23<sup>rd</sup> November 2020. This was ahead of their deadline.
- The Auditors were satisfied that proper Value for Money arrangements were in place.
- In March 2020 an increase on the Audit Fee of £7500 had been proposed in response to the increase in work. In addition to this a further £6600 had since been proposed in response to the additional work undertaken due to Covid-19. Any proposed fees were subject to approval by Public Sector Audit Appointments Ltd (PSAA) and only if they approved them would they be charged. The increase in the fees had not been taken lightly and had been discussed with the Head of Resources.

The Accountancy Manager confirmed that the Head of Resources was satisfied with the proposed increased fees due to the extra work put onto the team. He had also assumed that the fee would be similar to that in the 2021 budget (at a higher level).

The Chair wished to note the leadership of the Head of Resources and the Accounting Manager and the appreciation for the work they, and their team, achieved during the pandemic. He felt they had coped well and completed fantastic work.

In response to questions from the Committee, the Chief Executive confirmed that:

- Details of any complaint where compensation payments were made which exceeded £500 were presented to the Governance Committee. A report of the complaint, plus the ombudsman's report would be presented. He advised that approximately 22 complaints were received each year – most in relation to planning matters which was not unusual.
- The Audit reports were public documents and made available to the public as part of the agenda.

The Accountancy Manager confirmed that the Auditors had undertaken work in relation to the checking of journals. Extra checks on the transactions had taken place but no errors found. The journals were internal transactions and allocations of costs against cost-codes and not payments nor receipts externally.

RESOLVED that the External Audit Annual Audit Letter be noted.

**127.            EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE.**

The Committee considered a report by Grant Thornton regarding the External Audit Progress report and Sector Update (circulated previously).

The External Auditor (PB) confirmed:

- The only outstanding work from 2019/20 was for the Housing Benefit certification, which was now almost complete and due to be signed off within the next two weeks. That would conclude the 2019/20 works.
- 55% of the audits had been signed-off by November 2020.
- There were challenges for 2020-21. At this point the planning would usually commence for the new-year, however, works were still being undertaken on the outstanding 17 audits. The deadline was likely to be moved to September 2021, but could be moved further due to Covid-19.
- New Value for Money (VFM) arrangements were in place. With effect from 2021 these were required to be review every five years.
- There would no longer be a binary judgement made as the auditors would be encouraged to be more explicit in responses. This was viewed as best practice.
- The “Annual Audit Letter” would be replaced with an “Auditors Annual Report”. Any effect on the fees would be discussed with the PSAA.

In response to questions from the Committee, the External Auditor (PB) confirmed that:

- The changes to the VFM arrangements were not as a result of the Richmond Review. The changes were welcomed and would provide detailed narrative on the Audit findings and be signed off to a materiality level.
- The valuation of an Authority’s assets creates a significant amount of work each year.
- Auditors did have a range of powers which they could use if appropriate. If used, details of such would be included in a report along with the reasoning behind any decision to use them.

RESOLVED that the External Audit Progress Report and Sector Update be noted.

**128.            AUDIT RECOMMENDATION TRACKER**

The Committee considered the Audit Recommendation Tracker report by the Chief Executive in respect of actions taken to address internal and external audit recommendations (circulated previously).

The Committee noted the following updates:

- Five recommendations had been included in table B (recommendations completed since the last meeting of the Governance Committee).
- Table C detailed four recommendations for which time extensions were being requested. Of there, one was in relation to Violence and Aggression markers. A new system had been created using the CRM (Customer

Relation Management) system. This would be installed shortly. Other outstanding items were related to a recent audit and therefore time was required to implement those.

- There were no outstanding recommendations (table D).

In response to questions from the Committee, the Chief Executive advised:

- Although the recommendations in Table E (Annual Governance Statement) showed 0% progress, works had been done towards each of them. The three were live audits.
- The Authority did take part in joint working with other organisations and that the specific arrangements could vary. Examples ranged from loose collaborations to formal joint committees. Not all collaborative working required formal arrangements to be set.
- Discussions regarding how Local Authorities worked together were the remit of the Leader.
- There had been a culture shift at the Authority and SMT had been stricter in ensuring that the recommendations were given priority.

RESOLVED:

- (a) that the extensions to time scales requested in the Audit Recommendation Tracker be approved; and
- (b) that the Audit Recommendation Tracker be noted.

**129.            WORK PROGRAMME 2020-2021**

The Committee considered the work programme for 2020/21 (circulated previously).

RESOLVED that the work programme for 2020/21 be noted.

Chair

The meeting ended at 8.20 pm

NOTE: These minutes will be confirmed as a correct record at the next meeting of the Committee.

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## NORTH DEVON COUNCIL

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 9<sup>th</sup> March 2021

**TOPIC: REVIEW OF TERMS OF REFERENCE**

**REPORT BY: MONITORING OFFICER**

### 1 INTRODUCTION

1.1 The Governance Committee is required to annually review the terms of reference under which it operates.

### 2 RECOMMENDATIONS

2.1 That Governance Committee make no changes to the terms of reference as set out in the Council's Constitution.

### 3 REASONS FOR RECOMMENDATIONS

3.1 The terms of reference do not require alteration.

### 4 REPORT

4.1 The current terms of reference are shown attached.

4.2 It is not considered that any changes are required at this point in time.

### 5 RESOURCE IMPLICATIONS

5.1 There are no resource issues.

### 6 EQUALITY and HUMAN RIGHTS

6.1 An EIA has not been completed as no equality issues are affected.

### 7 CONSTITUTIONAL CONTEXT

Article and paragraph	Appendix and paragraph	Referred or delegated power?	A key decision?
Part 3, Annexe 1 (5)		Referred	No

## 8 BACKGROUND PAPERS

Background papers will be available for inspection and will be kept by the author of the report.

## 9 STATEMENT OF INTERNAL ADVICE

9.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

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Author: Trevor Blatchford

Date: 22<sup>nd</sup> February 2021

Reference: Document1

## APPENDIX 1 CURRENT TERMS OF REFERENCE

### GOVERNANCE COMMITTEE

Number of Members	Special Requirements	Quorum	Notes
9	<p>Membership of the Committee cannot include Strategy and Resources Members.</p> <p>Members of the Committee must be trained prior to sitting on the Committee (NOTE: Failure to attend the required training will result in exclusion from sitting on the Committee)</p>	3 – Provided at least two political groups are represented	The role of the Committee is to promote good behaviour amongst Councillors and to ensure that all business conducted by the Council is carried out within the law, in accordance with the Constitution and also in accordance with statutory Codes. It is also to promote improvement in governance issues

- (a) Audit functions including receiving and considering reports and making recommendations on them
- (b) Risk management and corporate governance including considering reports from the Local Government Ombudsman.
- (c) Reviewing the annual statement of accounts
- (d) Standards function including dealing with complaints regarding Councillor conduct and the imposition of sanctions.
- (e) Electoral matters including Community Governance Reviews
- (f) Human Resources and Personnel matters including pensions issues



# Agenda Item 7

- (g) To hear any appeal in respect of any grievance or disciplinary decision taken by officers

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## **North Devon Council Governance Committee**

Date: March 2021

### **Half Yearly Report of the Chair of Governance Committee**

Since Sept 2020 three Governance Committee meetings have gone ahead, albeit online.

The Audit Committee resolved in May 2014 that the Chair of the Governance Committee would report half yearly to Council in March and September to highlight key issues that have arisen in the previous period.

The last report was presented in September 2020.

### **Business Continuity**

In September 2020 the Committee considered a report on Business Continuity from the Graduate Emergency Planning Officer.

Along with updates from the Public Protection Planning Manager, the Committee were advised:

- The Cabinet Office had produced guidance in line with ISO 22301:2019 Security and resilience – Business Continuity Management Systems. The proposal to refresh the current plans was deemed good-practice under this guidance.
- Success would be measured against the reduction in impact or improvement of the Authority's response when disruptions occur.
- The Head of Place advised the Committee that there were three major changes within Planning proposed within the White Paper which was currently out for consultation.
- The Business Information Systems Manager provided the Committee with an update in terms of the ICT systems in place

A further update was provided in January 2021:

- The Authority was developing a program to assimilate Business Continuity into normal business procedure and to review this to address cultural change.
- Over the past nine months the Authority had taken large strides to ensure continual review was part of daily work within teams.
- The preparation for Britain's exit from the European Union ('Brexit' / 'D-20') had assisted with that as plans had been developed for both an imminent 'Brexit' and a 'No-deal' 'Brexit'. Issues such as the possibility of fuel shortages had been considered. All services had added this to their resumption plans.
- A Corporate Resumption plan was being developed which would highlight which services and systems would be a priority to be operational on day one following an incident.

# Agenda Item 9

- Consultation with Managers would be carried out soon; with the resulting plans to be presented to the Senior Management Team (SMT).
- Business Continuity Best Practice – guidance 2018 was being followed.

## **Annual Governance Statement**

In September 2020 the Annual Governance Statement was considered and approved to be passed to Council for consideration.

## **Update on Governance Arrangements**

- In January 2021 the Chief Executive provided an update on Governance arrangements. He confirmed that
- This update had been brought to the Committee in order to review the changes made to the Governance arrangements.
- In December 2020 the Chief Executive had written to the Members for their opinions. Five of the Members had responded. The Chief Executive felt that the Members may have misunderstood the questions as some answers were in relation to the holding of remote meetings etc.
- In conclusion, the Chief Executive felt there was a general contentment with the arrangements in place and that no major changes were required.
- The Peer Review had suggested work could be done in the development of the Lead Member roles.
- Virtual meetings had been welcomed by those who also worked (\*alongside being Members) and those with mobility issues.
- At Full Council a motion was being put forward to lobby the Government to allow the holding of virtual meetings to continue past the current cut-off date in May 2021. Many other Authorities were looking to do the same.

## **Recommendations to update the Member Code of Conduct**

In September 2020 the Recommendations to update the Member Code of Conduct report was considered and approved to be passed to Council for consideration.

The Senior Solicitor and Monitoring Officer advised the Committee that the Committee on Standards in Public Life had issued a letter to Local Authorities in July 2020 which included 15 recommendations for 'best practice; which would represent a benchmark for ethical practice. A visit from the Committee was expected in the autumn to check on progress

## **Statement of Accounts**

The Statement of Accounts was approved in September 2020

## **Business Grant Schemes**

In September 2020 the Committee received an update on the Business Grant Schemes.

The Head of Resources advised of the following in relation to the Small Business Grant and Retail, Hospitality and Leisure Grant Scheme:

- The grant was announced on 11 March 2020 by the Chancellor in his Budget speech. Detailed guidance was issued by MHCLG (Central Government) on 25 March, with the hope that payments would start to be made by early April. This guidance had changed by the following week. On 25 March 2020 Civica the Software Company used by the Council announced work on their grant module and associated form. The Council's Communications team planned and updated messages on Website for businesses and automatic phone messages with updated information throughout.
- 1 April 2020 £51million funding was paid to NDC. This was the largest allocation and number of eligible businesses in Devon, including the unitary Councils.
- 6 April 2020 the online form was transferred to NDC for testing and that went 'Live' 9 April 2020. This was only 2 weeks after guidance received by MHCLG.
- The NDC online form was automatically integrated to the back office system.
- Assurance was gained which confirmed there was a competent online integrated process that carried out substantial checks (which a manual form would not have performed) and mitigated and reduced the risk of any fraudulent applications being paid. Many Revenues and Benefits Staff worked all Easter Weekend including the bank holidays plus the following weekend to deal with the initial surge of applications.
- On 9 April 2020 the first payments were made (same day as go-live).
- By 17 April 2020 almost 30% had been paid out (£12million in the first week)
- By 30 April 2020 (three weeks from go-live) 65% had been paid out (£29million) to 2500 businesses.
- As of 8<sup>th</sup> September, £43million had been paid to 3775 businesses (96% of those eligible). 163 eligible businesses did not apply even though the Council tried numerous times to write, contact, persuade etc. Grants had been awarded to 3775 of the 3802 applications so far.
- Monthly assurance returns were made to MHCLG, outlining that risk assessments had been carried out.
- In addition; Government announced "Discretionary Business Grant" scheme – to the value of 5% of the above main grant scheme (£2.25million); the Council ran this through our Economic Development team as they had close links to local

businesses and especially those that had fallen outside the scope of the original grant scheme.

- The Discretionary Business Grant scheme was launched on 1 June 2020, using a Devon-wide set criteria and online application form, payments were made within first week. Scheme was now closed and team were processing the last tranche of applications; having fully allocated the £2.25million fund.
- Lobbying had taken place via the Member of Parliament to try to retain all/some of the residual funds (of £4,164,750 which was the amount unclaimed from the Small Business Grant and Retail, Hospitality and Leisure Grant scheme within North Devon) to further the discretionary scheme and support more local businesses that need the financial assistance.
- In addition, expanded retail discounts had been applied to 1100 Non Domestic Rates accounts: further adding to the workload.
- Overall financial assistance to support North Devon businesses of over £65million through the pandemic.
- The Head of Resources added that, bearing in mind the context of what he had outlined overall, the speed and pressure from Government to 'support businesses' quickly; he could not be prouder of the team for what they had delivered under exceptional circumstances.

### **Compensation Payments Made Under Delegated Powers**

In September 2020 the Committee was advised that there had been three compensation payments made over the six month period from January to June 2020. These totalled £3926.

### **Letter of Representation**

The Letter was presented to the Committee in a special meeting in October, in advance of the Full Council meeting on 7<sup>th</sup> October 2020. The Letter was required as part of the final process for the approval of the Statement of Accounts for 2019/20.

### **Audit Recommendation Tracker**

The Committee was advised in September that:

- There were ten live recommendations.
- Two recommendations had been completed since the last meeting of the Committee.
- One recommendation for which a time extension was being requested.
- Recommendation 17 SRR 08 required an extension to allow for delays in the implementation of the automated process due to the pandemic. Progress had reached 85% and could confidently be completed by the extension date requested.

- There were no outstanding Audit Recommendations

The Committee was advised in November that:

- No recommendations had been completed since the last meeting of the Committee.
- There were three recommendations for which time extensions were being requested.
- There were no outstanding recommendations.

The Committee was advised in January 2021 that:

- Five recommendations had been completed since the last meeting of the Committee.
- There were four recommendations for which time extensions were being requested. Of these, one was in relation to Violence and Aggression markers. A new system had been created using the CRM (Customer Relation Management) system. This would be installed shortly. Other outstanding items were related to a recent audit and therefore time was required to implement those.
- There were no outstanding recommendations.

## **Corporate Risk Register**

The Corporate Risk Register was presented to the Committee in October 2020

The Head of Resources advised the Committee that each item on the Corporate Risk Register had been re-evaluated following the Covid 19 outbreak. During the pandemic the Authority had worked alongside all Devon Local Authorities and local voluntary organisations. This work would continue.

## **External and Internal Audit**

### **Internal Audit Progress Report 2020/21**

The Committee was advised by DAP of the following in relation to the Internal Audit Progress Report:

- The Head of Internal Audit's opinion was of "Substantial Assurance" on the adequacy and effectiveness of the internal control framework
- Covid19 had impacted the way the Internal Audit work had been done. It was looking to perform the vast majority of the work remotely.

# Agenda Item 9

- The Head of Devon Audit Partnership (DAP) advised that there had been changes to staffing at DAP with a new Manager starting in October

In November the following was advised:

- Progress had been slow over the past year due to the pandemic.
- The delivery of the signed plan was delayed as resources were redirected to Covid-19 works. The auditors would be speaking to the Head of Resources in the next couple of weeks to get any remaining audits scheduled.
- ANA refers to the Audit Needs Assessment. It was hoped that the LA's software would pick up the scoring from the Risk Register to give an overall context.

In January 2021 the following was advised:

- An opinion of Reasonable Assurance had been given for 2020/21.
- Six audits had been completed.
- Risk Management Review had not been included but had also achieved 'Reasonable assurance'
- All of those complete to date had been at a level of Reasonable Assurance, with one (Income collection) reaching 'Substantial'.
- An updated Assurance map would be presented to the Committee in March 2021.
- As a result of Covid-19 it had been agreed to defer some non-core audits into 2021/22.
- During December 2020 two audits were taken forward to provide assurance on safe working operations during the pandemic. Risk assessments were ongoing, and a staff survey had recently been issued. The assurance opinion was to be confirmed.
- The bulk of the revised audit plan was expected to be completed by the financial year end.
- Work had started on the plan for 2021/22. This would include any works not completed during the 2020/21 plan.
- The plans had been adjusted across all partners as the lockdowns had occurred.
- A new approach was being considered for 2021/22 which was more flexible as priorities and risks changed.
- Works on Cyber Security would commence in February 2021. The Government had identified Ransomware as a particular concern.
- The Chief Executive advised that audits such as Climate change, Cyber Security, and Covid security were especially relevant at present and would add value to the Authority's operations. The ability to target audits as required was welcomed. The experience and advice of the Auditors was beneficial.



## **Informing the Audit Risk Assessment 2019-2020**

The External Auditor confirmed the report set out the questions asked of the Authority. It was a standard suite of questions covering law, fraud, accounting estimates. Historically the Auditors had contacted the Head of Resources as section 151 officer and the Chair of the Governance Committee. For this report the Senior Management Team and the Committee Members had also been consulted.

## **Internal Audit Assurance Opinions – Standardisation across Public Sector**

The Committee considered this report in November 2020

### **The Internal Auditor explained the background to the report:**

- This report concerning the Assurance Opinions was used to set the scene on the additional reports provided by DAP.
- The Audit opinion itself was the Auditor's judgement and not based on any scientific calculation. Whether the opinion was 'substantial' or 'reasonable' it would be discussed with their client, in this instance; North Devon Council.
- The opinion of Reasonable Assurance was given in the majority of cases.
- Opinions were given in consultation with the Management Board at DAP, following the CIPFA standards.
- This was now the standard approach, used across the board, in order to establish a constant approach.
- The new system provided a colour-coded rating for the Assurance Mapping (Red/amber/green) to enable clearer and quicker interpretation or both an overall position, and specific areas of concern.

## **Internal Audit Assurance Mapping**

The Committee considered this report in November 2020

### **The Internal Auditor explained the background to the report:**

- It had been a new process to both the DAP and the Authority in the preparation and delivery of the report.
- Public Sector Insurance Standards expect the Audit map to be completed alongside the Risk Register, however, it was accepted the issues faced had prevented this. In future it was hoped that the map and register would be produced together.
- The Map was 'live' and would be amended over the financial year. It was hoped it would make identification of any hotspots on the control network easier.
- The Map/Table was set out in three sections – each line of defence; Business Operation, Financial Corporate and Governance, and Independent Assurance. The Map was specifically tailored for each Local Authority, although the base template was the same for all.

## **External Audit Progress Report and Sector Update**

The External Auditor advised of the following in relation to the External Audit Progress Report and Sector Update in September 2020:

- The report detailed the progress as at August 2020. Many post-Covid audits were taking place remotely.
- It was recognised that the Accounts had been ready ahead of the pre-arranged deadline. The extension to the end of November 2020 was for the completion of the Audit works.
- The Value for Money (VFM) conclusion focused on the risk for the health of North Devon with specific mention on how 2019-20 had delivered and the challenges faced in 2020-21 and beyond (with the loss of income due to Covid-19).

In November 2020 the following was advised:

- Now only a few items were outstanding, progress had been made and many items cleared.
- The final Letter of Representation, the Draft Accounts, and the Annual Governance Statement had all been signed.
- Still outstanding were completion of work on PPE and Investment Properties, receipt and review of the letters of assurance from the Devon County Council (DCC) Pension Fund Auditor. These were also being waiting on by other Devon Authorities. DCC were hoping to issue these by the end of November 2020.
- The Value for Money conclusion was expected to be that of 'Unqualified'
- The Housing Benefit Subsidy Claim work was ongoing.

In January 2021 the following was advised:

- The only outstanding work from 2019/20 was for the Housing Benefit certification, which would conclude the 2019/20 works.
- 55% of the audits had been signed-off by November 2020.
- Works were still being undertaken on the outstanding 17 audits. The deadline was likely to be moved to September 2021, but could be moved further due to Covid-19.
- New Value for Money (VFM) arrangements were in place. With effect from 2021 these were required to be review every five years.
- There would no longer be a binary judgement made as the auditors would be encouraged to be more explicit in responses. This was viewed as best practice.
- The "Annual Audit Letter" would be replaced with an "Auditors Annual Report". Any effect on the fees would be discussed with the PSAA.

## **External Audit Findings Report**

The External Auditor advised of the following in October 2020:

- The Audit Findings Report set out the key findings for 2019-2020.
- The deadline for the sign-off of the accounts had been extended due to the challenges presented by the Covid-19 pandemic. The revised date for the sign-off of the accounts had been moved to the end of November.
- The report provided the Auditor's opinion and the Value for Money conclusion.

## **External Audit Annual Audit Letter**

This report was presented to the Committee in January 2021

The Committee was advised of the following:

- The final decision had been delayed as the Auditors waited on Devon Pensions figures. That had been received and a Unqualified decision had been made on 23<sup>rd</sup> November 2020. This was ahead of their deadline.
- The Auditors were satisfied that proper Value for Money arrangements were in place
- In March 2020 an increase on the Audit Fee of £7500 had been proposed in response to the increase in work. In addition to this a further £6600 had since been proposed in response to the additional work undertaken due to Covid-19. Any proposed fees were subject to approval by Public Sector Audit Appointments Ltd (PSAA) and only if they approved them would they be charged. The increase in the fees had not been taken lightly and had been discussed with the Head of Resources.

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# Internal Audit Report Leisure Centre Project North Devon District Council

December 2020

## Service Objective

To deliver the new Tarka leisure centre complex, including all core leisure centre facilities by April 2022, within the financial budget of approx. £13.8m. Delivery requires effective management of all partners and contractors who are involved in the leisure centre build and subsequent operation.

## 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.

Direction of travel



## Assurance Opinion on Risks or Areas Covered

- key concerns or unmitigated risks

**1. Project structures, roles and responsibilities are not clearly defined and effective.**

Substantial



**2. Project performance is not being reported and monitored effectively.**

Substantial



**3. Risks and Issues arising are not being identified, managed, and resolved efficiently and effectively, so progress is slow.**

Reasonable Assurance

- expansion of mitigating action detail.
- identification of opportunity risk.



**4. Financial Management is not effective in budgeting and forecasting spend on capital and other leisure centre costs**

Substantial



**5. The project fails to identify and manage its Stakeholder effectively, reducing support for the project.**

Reasonable Assurance

- stakeholder engagement and communications plan.



**6. The project fails to effectively report on progress to the Council (officers and members).**

Substantial



*These areas / risks combine to provide the overall audit assurance opinion. Definitions of the assurance opinion ratings can be found in the Appendices. The observations and findings in relation to each of these areas has been discussed with management, see the "Detailed Audit Observations and Action Plan" appendix A. This appendix records the action plan agreed by management to enhance the internal control framework and mitigate identified risks where agreed*

## Introduction

The Council has agreed a Design, Build, Operate and Maintain contract with Parkwood Leisure for the new Tarka Leisure Centre. Overall cost of the project is just under £14m, with the build scheduled to complete in March / April 2021. The Council has engaged Currie and Brown to manage the project, and to provide quality control confirmation. Parkwood has engaged contractors to deliver the build, with the main building contractor being Speller and Metcalfe.

The bulk of the spend is funded by the Council, but £1.8m has been provided by Sport England, and £1.5m from the Coastal Communities Fund. Following completion of the build, Parkwood will operate and maintain the leisure centre for 20 years.

## Executive Summary

There is an effective oversight and monitoring framework for delivery of the Leisure Centre build, underpinned by a detailed contract setting out the requirements and standards to be met. The involvement of the Council's Leisure and Parks Team, Currie and Brown, and the Sport England representatives means there is significant expert monitoring and challenge of the work of the contractors to deliver the project to time and quality. There were also good measures to reduce the Council's exposure to financial risk where possible. We have identified some opportunities to improve the management of mitigating actions and opportunities on the risk register, and to consider more engagement with stakeholders particularly the general public. We provide a Reasonable Assurance as there is inherent risk now related to Brexit and Covid-19 that is very difficult to mitigate.

At this point, there is a very slight delay to the completion of the build (one to two weeks), although proposals are being considered to recover that delay. The significant work undertaken to create the business case has reduced the risk of changes being made to the build design and specification, which typically have a big impact on the time and cost to deliver. The monthly project meetings provide a good mechanism for review and management of project problems. We also note the range of experts involved, including the Council's managers, Currie and Brown, and Sport England means there is effective review and challenge of the contractors.

In our view, risks were being managed effectively, although we suggested more detail on mitigating action on the risk register. We also consider that further assurance be sought from the primary contractors (Parkwood, Speller Metcalfe) that they would not be impacted by 3<sup>rd</sup> party resilience risk from problems related to supplies of materials or sub-contractors over the next few months. We also suggested visibility of the risk register of the contractors related to the project to help visibility of risks they are managing. We note the good mechanisms to reduce financial risk as much as possible for the Council over the whole life of the contract. Finally, we suggest that opportunities be included on the risk register to help ensure they are identified and taken forward.

During the approval of the Leisure Centre project there has been processes to seek public input and comment into the project. However, the Covid-19 emergency impacted on opportunities to highlight this project to the public. For instance, the formal council event to publicise the start of the build was cancelled. It is now timely to consider creation of an engagement strategy and communications plan to ensure stakeholders are aware and are engaged. This will also support transition from the old to the new leisure facilities which will be important if revenue is to be maintained. This aspect should include engagement with individual councillors who are important champions to support this project.

Our audit work provides independent assurance on management of this project, rather than the quality and delivery of the build. Given the size of the project spend it is important that Council members and managers continue to obtain periodic updates and assurances for themselves on delivery of the build and subsequent opening of the facilities to the public. We have suggested a formal quarterly update to the Strategy and Resources Committee.

The detailed findings and recommendations regarding these issues and less important matters are described in Appendix A. Recommendations have been categorised to aid prioritisation. Definitions of the priority categories and the assurance opinion ratings are provided in the Appendices to this report.

## Value Added

During the review we encouraged the project to seek further assurance from the contractors that they would not be impact by any delays due to shortages of materials / suppliers. Given the concerns expressed by any business areas over the delays in getting in materials through the ports, it is important to seek ongoing assurance that the contractors have undertaken a systematic review of material and contractor availability to ensure it did not impact on build delivery. We also raised an opportunity for the Council to consider the impact of the leisure centre on longer term provision of leisure strategy.

## Issues for the Annual Governance Statement

The evidence obtained in internal audit reviews can identify issues in respect of risk management, systems and controls that may be relevant to the Annual Governance Statement. There are no issues from this review that warrant inclusion in the AGS

## Acknowledgements

We express our thanks and appreciation to all those who provided support and assistance during the audit.

**Robert Hutchins**  
**Head of Partnership**

Detailed Audit Observations and Action Plan

<b>1. Risk Area: 1. Project structures, roles and responsibilities are not clearly defined and effective.:</b>	<b>Level of Assurance</b>
	<b>Substantial</b>

**Opinion Statement:**

The detailed contract, work undertaken at the start of the build (including creation of a Project Communication Flow Chart), and the monthly project meetings meant that there was a good understanding of roles and responsibilities of those involved in the project. There was also a formal contract with Currie and Brown in respect to their role in managing the project on behalf of the Council. While Parkwood was responsible by contract for delivering the build to time and cost, arrangements and involvement of experts including the Council Leisure and Parks Manager, Currie and Brown, and Sport England representatives supported a good level of scrutiny of the contractors performance and progress to deliver.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
1.1	While the project contract provides detail on the different parties involved in the project, including organogram diagrams, the Project Manager does not have current roles / responsibilities related to his responsibility to manage the project for the Council.	Low	The responsibilities of the project manager for the Council to deliver the Leisure Centre project should be detailed out.	The officer's current job description does include Facility Development as a main "Job Purpose" and includes "Operational Responsibility" for managing Parks, Leisure and Culture capital projects. The officer's current appraisal objectives include overseeing delivery of the new leisure centre. In light of this audit report, a project structure document, defining various roles for NDC officers and external colleagues will now be produced by end of Jan 2021 and added to existing project docs.
			Action Owner: Leisure and Parks Manager	Target Date: 31 Jan 2021

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<b>2. Risk Area: 2. Project performance is not being reported and monitored effectively.:</b>	<b>Level of Assurance</b>
	<b>Substantial</b>

**Opinion Statement:**  
 The contract places responsibility to deliver the leisure centre build to Parkwood Leisure, and its subcontractors. That means the council does not have visibility of supporting labour and material plans that underpin the overall build plan. Within that framework, Currie and Brown, and the Council Leisure and Parks managers maintain good visibility of project delivery through review of the detailed project delivery plan which is discussed at the monthly project management meeting supported by site visits. Visibility of the quality and progress to deliver the work is also maintained through the work of the independent certifier who helps ensure work is only paid for when suitably completed. The involvement of Sport England representatives provides further experts to provide input, scrutiny and comment on project delivery and conformance to standards.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
2.1	A project plan is in place and is discussed at monthly project management meetings attended by all the key players. As it will be the mid project point for the project in February 2021, we suggest a formal review and lessons learnt exercise be undertaken to identify what has worked well, and any lessons to be captured.	Opportunity	As the mid-point of the project approaches, there is an opportunity to undertake a review of the project in February / March 2021 to identify lessons and consider what else could be done to improve delivery.	Curry & Brown will organise a review for February/March and findings will be presented to NDC's Strategy & Resources Committee as part of a quarterly update in March 2021.
			Action Owner: Leisure and Parks Manager	Target date: 31 March 2021

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<b>3. Risk Area: 3. Risks and Issues arising are not being identified, managed, and resolved efficiently and effectively, so progress is slow:</b>	<b>Level of Assurance</b>
	<b>Reasonable Assurance</b>

**Opinion Statement:**  
 There is a good process to identify and manage risk to project delivery, although it needs to be given an ongoing priority to ensure that it is regularly discussed and updated as part of project meetings to keep it live. That said, risks and mitigating actions were discussed during the monthly project meetings and those officers we spoke to had good awareness of risks related to the project. Review of the project risk register indicates that it included all the appropriate risks that we would expect to see on the risk register. More detail on the risk register related to the mitigating actions would be useful to ensure risks were being systematically managed (although as noted previously these were discussed at project meetings). In addition, the register did not include opportunities. Inclusion of opportunities would show that these were being identified and considered systematically.

As a more immediate requirement we suggested that more assurance be obtained from the contractor to confirm that they have sufficient building materials to continue the build in the first months of 2021, despite the congestion at ferry ports due to Covid-19 and Brexit. This was subsequently discussed during the project meeting in December. This discussion highlights the range of different ways in which project delivery and cost could be impacted in the months ahead.

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No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
3.1	There is broadly an effective process for risk management of the project, although more priority needs to be given to ensuring it is regularly discussed, updated, and specific mitigating actions are listed to provide assurance that appropriate actions were being taken forward.	Medium	The detail and quality of recorded mitigating actions on the risk should be improved and include target dates to implement them. While we have been told that these are addressed in project meetings, it would be useful to link them to the mitigating actions in the risk register.	A Risk Register review and update will now be a standing agenda item on monthly project meeting agendas. Curry & Brown will ensure that the monthly project minutes include actions to update the risk register mitigations. This should start with immediate effect and be noted in the minutes of the December 2020 project meeting.
			Action Owner: Leisure and Parks Manager	Target date: 31 December 2020
3.2	The risk register does not list / record opportunity risk to be investigated. This would support systematic consideration, and also provide an audit trail to show what changes were considered to make improvements.	Low	The risk register should include opportunities to improve delivery. We were told of various examples where opportunities had been identified to improve delivery or quality. These were not listed on the risk register or other document to aid learning of lessons.	Opportunities will be added to the current project risk register. This will be an action for completion at the January project meeting.
			Action Owner: Leisure and Parks Manager	Target date: 1 February 2021
3.3	It is good practice for there to be good awareness of risks held on contractor risk registers. There is therefore an opportunity to periodically review these risks and consider whether there is any action the project can take to mitigate them.	Opportunity	We suggest it would be useful for the project to have periodic sight of the Parkwood, and Speller Metcalfe Risk Registers related to this project to identify if there are any risks that could be included onto the overall project risk register.	At the December project meeting it was confirmed both Parkwood and Speller Metcalfe do have their own individual risk registers. Some of the financial information on the risk registers was commercially sensitive. Most agreed the current project risk register was adequate but agreed specific risk registers could be made available on request if required with commercially sensitive information removed.

			Action Owner: Leisure and Parks Manager	For ongoing future consideration by the project
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<b>4. Risk Area: 4. Financial Management is not effective in budgeting and forecasting spend on capital and other leisure centre costs:</b>	<b>Level of Assurance</b>
	<b>Substantial</b>

**Opinion Statement:**  
We consider there are good controls that reduce the level of financial risk that the council is exposed to. The significant elements include:

- The fixed cost to design, build, operate and maintain (DBOM) spread over the 22 years provides a high level of certainty related to council finances.
- Payment of quarterly build costs is only made after independent certification on the level of work delivered on the build.
- The significant attention placed on the original design of the leisure centre has reduced the need for any subsequent design changes that typically result in additional cost or time delays.
- There are measures to reduce the financial and delivery impact arising in the event of the collapse of the DBOM contractor and building contractor. The Leisure and Parks Manager has maintained good visibility of the financial health of Parkwood, and measures to support it including through the government emergency grants.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
	No observations and recommendations recorded			

<b>5. Risk Area: 5. The project fails to identify and manage its Stakeholder effectively, reducing support for the project.:</b>	<b>Level of Assurance</b>
	<b>Reasonable Assurance</b>

**Opinion Statement:**

The Leisure Centre was subject to significant public review and consultations in the years up to formal approval of the DBOM. A range of stakeholders were effectively involved during that process to contribute funding (Sport England, Coastal Communities Fund), or just support to the project.

Since the start of the build the focus on stakeholder engagement has reduced. The Covid-19 emergency forced cancellation of the planned public ceremony to mark the start of the build of the centre, and the projects focus has been on taking forward the project build. The detail on the Council Intranet site is mainly about approval of the project, and not about the current build and progress. As a significant project we would expect a more systematic approach to stakeholder management, typically detailed in a Stakeholder Strategy and communications plan. While this has not been important during the initial build stages, it will become more important next year as it moves closure to completion and opening. We have raised a recommendation that the Council considers when and how to increase engagement with the public and the range of more specific stakeholders to advertise the good news story that the centre represents, and the additional facilities that will become available.

We also note the significant impact of the Leisure Centre on leisure provision and identify an opportunity to consider the impact on the longer-term strategy to provide leisure facilities.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
5.1	There needs to be more focus on engagement with stakeholders and communicating with the general public as the build progresses and comes closure to completion. The Council did not have a specific communications strategy related to progression and delivery of the new Leisure Centre. Given that this is a project delivering big benefits for the public, and the diverse range of stakeholders interested, there would be benefit in mapping out those stakeholders and creating a strategy to engage with them.	Medium	The Council should create an engagement strategy / communications plan. This work should include updating the North Devon website which does not have any current information on the build being undertaken.	A communication strategy had been prepared in 2019, but this only covered a period up until construction start on site. The plan was then somewhat derailed due to Covid 19. Following this audit, colleagues in NDC's Communications department have drafted an updated plan taking us through to the opening of the new centre. The Leisure and Parks Manager will now agree action dates with comms colleagues and sign off the new strategy (by Mid Jan 2020).
			Action Owner: Leisure and Parks Manager	31 January 2021

5.2	We note the significant impact of the Leisure Centre on leisure provision and identify an opportunity to consider the impact on the longer-term strategy to provide leisure facilities. There is significant detail on the impact on leisure facilities included in the DBOM Contract Delivery of the Leisure Centre. We have been told that this impact is not currently detailed in any other council document.	Opportunity	The main implications from delivery of the leisure centre on the Council's longer-term leisure strategy should be identified and included in relevant strategy documents.	The opportunity is noted and officers will ensure the impact of the new leisure centre is included in future corporate and strategic documents.
			Action Owner: Leisure and Parks Manager	For ongoing future consideration by the Council

<b>6. Risk Area: 6. The project fails to effectively report on progress to the Council (officers and members):.</b>	<b>Level of Assurance</b>
	<b>Substantial</b>

**Opinion Statement:**  
 There is a clear process for the Leisure and Parks manager to escalate concerns to the council senior management team for onward consideration by the Strategy and Resources Committee. While updates have been provided periodically to the Committee, this is not part of a scheduled agenda. As this is a significant project, we consider that there would be benefit in a quarterly update being provided to the Committee so they are aware of progress and can ask any questions.

The engagement strategy recommended within section 5 should also consider requirements to engage and get the support of specific councillors who will champion the project.

No.	Observation and Implications	Impact / Priority	Recommendation	Management Response
6.1 Page 36	There is evidence of periodic reporting to Council members to keep them up to date and aware of any issues. A more formal, quarterly reporting process to Strategy and Resources Committee would be beneficial to ensure they are aware of progress on this important project.	Low	The Leisure and Parks manager should provide a quarterly update to the Strategy and Resources Committee, to ensure that Council members are sighted on progress to complete the Leisure Centre build and open the new facilities,	The Leisure and Parks Manager will take a project update to the Strategy and resources committee in March 2021 and then each quarter until construction is complete. After construction is completed, future updates on the operational or "delivery" phase of the project will be timetabled in (Parkwood are obliged to provide updates under the DBOM contract terms).
			Action Owner: Leisure and Parks Manager	Target date: 31 March 2021

**Scope and Objectives**

This audit will provide assurance on management of the project to deliver the North Devon Leisure Centre Complex. This audit will not review the process to develop and agree the project but will instead focus on current project management delivery. This will include:

- Project roles and responsibilities;
- Performance monitoring;
- Risk and issue management;
- Financial management;
- Stakeholder management; and,
- Reporting to the Council (officers and members).

**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**

Official

Official: Sensitive

**Definitions**

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.

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

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.




## Definition of Recommendation Priority

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 recommendations 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	A recommendation 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 recommendations do not feed into the assurance control environment.

### 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 and North Devon councils. We aim to be recognized as a high-quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards. The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

### Direction of Travel Indicators

Indicator	Definitions
	No Progress has been made. The action plan is not being progressed at this time, actions remain outstanding.
	Progress has been made but further work is required. The action plan is being progressed though some actions are outside of agreed timescales or have stalled.
	Good Progress has/is being made. Good Progress has continued.

Internal Audit

Internal Audit Plan 2021-22

North Devon District Council  
Governance Committee

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March 2021

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

Agenda Item 11

## Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Governance Committee and senior management is the Council's Leadership Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS refer to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Governance Committee, under its Terms of Reference contained in the Council's Constitution, is required to review, and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Head of Resources (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Governance Committee.

### Expectations of the Governance Committee for this annual plan

Governance Committee members are requested to consider:

- the annual governance framework requirements.
- the basis of assessment of the audit work in the proposed plan.
- the resources allocated to meet the plan.
- proposed areas of internal audit coverage in 2021-22.

Following consideration of the above, the Governance Committee are required to approve the proposed audit plan.

**Robert Hutchins**  
**Head of Audit Partnership**

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## Development of the Plan

This year's audit plan has been developed through discussions with the Councils Leadership Team, and consideration of the Council's risk register and plan. It is also informed by previous audit findings, and our awareness of current themes in Devon and elsewhere, such as Climate Change, and post C-19 recovery.

Within the plan, we aim to provide good coverage of Council Corporate risks, and current public sector risks (see appendix 5). Audit coverage has been increased this year to 255 direct audit days with management agreement, with an additional 35 days compared to previous audit years. This recognises the need for increased assurance that controls are effective following the Covid-19 emergency. We have maintained the four-year plan to help identify future resource requirements and ensure good coverage of areas over the period but our focus is on days for 2021/22.

## Audit Plan Summary

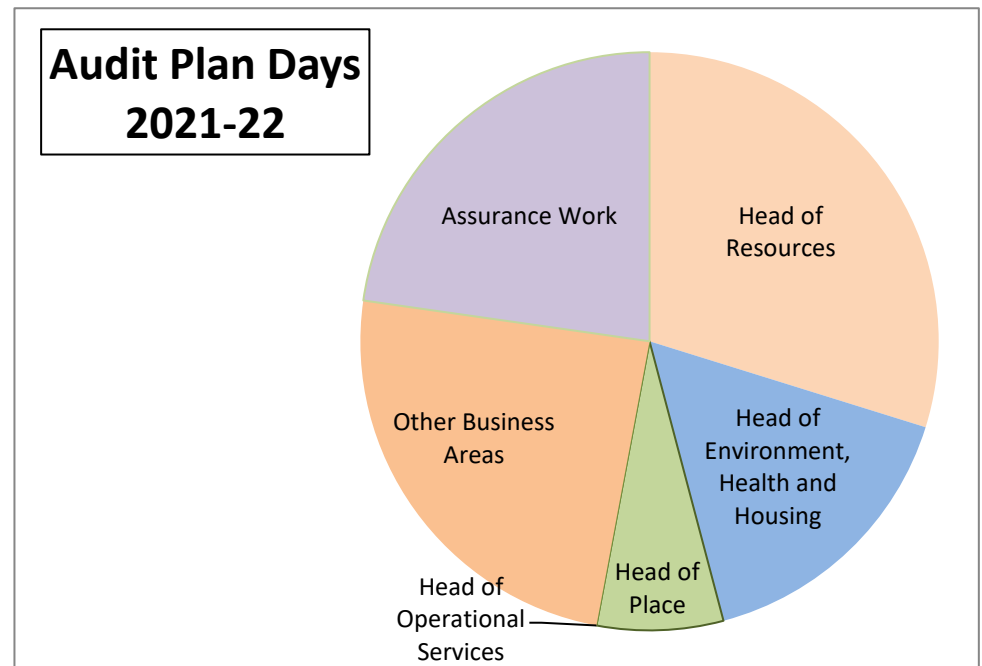
Our audit plan is grouped into the different senior management areas such as Head of Place. Within those management areas, we identify:

- **14 'Core audits'** which are largely on what are termed "key financial systems" that process most of the Council's income and expenditure and which have a significant impact on the reliability and accuracy of the annual accounts. These include Payroll, Creditors, Main Accounting System, Council Tax, Housing Benefit. This work will provide assurance that core controls continue to be effective despite the changing environment. These audits mainly come under the Head of Resources.
- **Risk based audits** affecting core assurance service delivery with focus on:
  - Corporate plan – action planning
  - Climate change - governance
  - Safeguarding – corporate responsibility
  - Key developments
    - investment, development, digitalisation
  - Commercialisation
  - Information governance – data protection changes
  - Cyber security
  - Partnerships, collaboration, and third-party risk
- **Other audits**, to ensure there is coverage over all Council operations though the 4-year period, such as Procurement and Health and Safety.

The chart below provides a summary of planned audit coverage by area, with full details contained in the plan on the following page. In accordance with the PSIAS, the plan is flexible, to reflect and respond to the changing risks and priorities of the Authority. As a result, it will be regularly reviewed and updated to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months' time to ensure it continues to reflect the key risks and priorities.

We have identified some audits (see appendix 6) that during our review have a priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next year's audit plan.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.



## Fraud Prevention and Detection and Internal Audit Governance

### Fraud Prevention and Detection and the National Fraud Initiative

Fraud is a recognised risk area for the Council and effective counter fraud activity assists in the protection of public funds and accountability. Our Counter Fraud Service is currently supporting a review of the Councils Counter Fraud Strategy and Policy to ensure it has a systematic approach to identifying and reducing fraud. To support this the authority is encouraged to agree a separate plan of counter fraud work. Our Counter Fraud service will oversee investigations, instances of suspected fraud and irregularities referred to it by managers and can also carry out testing of systems considered most at risk to fraud. Our services will liaise with the Council to focus resource on identifying and preventing fraud before it happens. This work is informed by the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the publication “Protecting the English Public Purse”. Additional guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and the Home Office ‘UK Anti-Corruption Plan’, are also relevant.

### Audit Management

One line of our plan is classified as “Audit Management”. This is work that ensures effective and efficient services are provided to the Council, and the internal audit function continues to meet statutory responsibilities. In some instances, this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Areas that this may cover include:

- Preparing the internal audit plan and monitoring implementation.
- Preparing and presenting monitoring reports to Leadership and the Governance Committee.
- Assistance with the Annual Governance Statement
- Liaison with other inspection bodies (e.g. Grant Thornton).
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue in the coming year.
- On-going development within the Partnership to realise greater efficiencies in the future.

### Partnership working with other auditors

We continue to work to develop effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton), Audit West, and Audit South West (Internal Audit for NHS).

## North Devon Internal Audit Plan for 2021/22

### Head of Resources

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
CORE-Main Accounting System & Budgetary Control	<b>HIGH RISK - FIN CRR 00</b> A lack of clear direction to significant budgetary challenges <b>HIGH RISK - FIN CRR 03</b> Inadequate financial control in a service area.	20/21	7	10	7	10
CORE-Creditors (including ordering processes)	MEDIUM - based on volume and value of transactions	20/21	5	10	5	10
CORE - DEBTORS	<b>HIGH RISK INFO CRR 06</b> WORLD Pay Insist on declaration now	19/20	8	5	8	5
CORE- Payroll	MEDIUM - Based on our work	20/21	10	10	10	10
CORE -Cash Collection	MEDIUM - Based on our work	20/21		6		6
CORE - TREASURY MANAGEMENT	<b>HIGH RISK RES CRR 40</b> Reliance on unrealised capital receipts to fund committed capital expenditure or capital spending	2019/20	6	3	6	3
CORE- Council Tax & NNDR	MEDIUM - Based volume and value of transactions	20/21	10	10	10	10
CORE- Housing Benefits	MEDIUM - Based on volume and complexity in the process	20/21	10	15	10	15
VAT	LOW	18/19				5
Efficiency Savings	MEDIUM - Based on our work	18/19		5		
Estate management	LOW			10		
Capital Programme and Exp.	Linked to Risk F CRR 00 Also R CRR 40 Reliance on unrealised capital receipts to fund expenditure	19/20			8	
Contracts & Commissioning	MEDIUM - Based on our work <b>MEDIUM RISK GOV CRR 42</b> Failure of supply chain partner	19/20	10		10	
Covid-19 - assurance (grants, recovery, control)		NA	10			
Other grants				5	5	5
Insurance					5	
Harbour Authority						5
<b>TOTAL</b>			<b>76</b>	<b>89</b>	<b>84</b>	<b>84</b>

## Head of Environmental Health and Housing

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Housing Needs, Schemes, PFI, including Choice Based Lettings	MEDIUM <b>MEDIUM RISK GOV CRR 53 Council shortfalls in meeting housing supply projections.</b>		10	10		
Licensing – zoo, food premises, etc	<b>HIGH RISK CRR 54 Zoo Licencing: Management of a Zoo and collection disposal</b>			5		5
Safeguarding Children and Vulnerable Adults	LOW RISK GOV CRR 45 -Risk G CRR Safeguarding children and vulnerable adults		8	8	8	8
Business Continuity	<b>HIGH RISK GOV CRR 09 BUSINESS CONTINUITY PLAN HIGH RISK RES CRR 00 Pandemic Influenza</b>	<b>18/19</b>	5			
Climate Change			10	10	10	10
Environmental Protection					10	
Tree Preservation Orders						5
Emergency Planning / procedures, Civil Contingencies Plan	<b>HIGH RISK GOV CRR 10 Civil Contingencies Plan (external)</b>		8			
<b>TOTAL</b>			<b>41</b>	<b>33</b>	<b>28</b>	<b>28</b>

## Head of Place

Audit Title	CRR	Last audited	21/22	22/23	23/24	24/25
Regeneration Projects	MEDIUM	<b>Deferred 20/21</b>	8			
Building Control	LOW - BUT An area that can attract significant local and political interest. As a shared service with Mid Devon a joint review with MD Devon is likely	<b>20/21</b>				10
CCTV	<b>MEDIUM RISK INFO CRR 01 Inappropriate use of CCTV Data</b>					
Planning	S106, Development Control, Enforcement	<b>NK</b>	10	10	10	10
<b>TOTAL</b>			<b>18</b>	<b>10</b>	<b>10</b>	<b>20</b>

## Head of Operational Services

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Crematorium Undertaken in May of the following year	Delivered jointly with Torridge DC LOW	Deferred 20/21			3	
Waste Management (Refuse and Recycling)	<b>HIGH RISK GOV CRR 26</b> <b>Failure to improve recycling rates</b>	18/19		5		
Street Cleansing	MEDIUM Contract arrangements	NK			5	
CORE- Parking Operations	LOW Based on volume and complexity	20/21		5		5
Vehicle Workshops	MEDIUM	NK				
<b>TOTAL</b>			<b>0</b>	<b>10</b>	<b>8</b>	<b>5</b>

## Other Business Areas

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Recruitment	LOW				5	
Equality & Diversity	LOW - But reputational risk if not delivered			5		
Health & Safety	<b>MEDIUM RISK CRR 08 Health and Safety</b> <b>MEDIUM RISK GOV CRR 11 Fire in process hall</b>	Deferred 20/21	7			
Information Technology Audit	<b>HIGH RISK GOV CRR 01 Cyber Attack / computer virus may infect the ICT Infrastructure</b>	20/21	22	22	22	22
Information Governance	<b>HIGH RISK INFO CRR 02 Files / data stored in alarmed but un-manned 1st floor unit could be illegally accessed</b> <b>HIGH RISK INFO CRR 04 Indefinite document holding in E&amp;TS / Revs / Bens</b> <b>MEDIUM RISK RES CRR 37 Failure to protect physical or electronic information assets</b>	20/21	7			5
Transformation Programme	<b>HIGH RISK RES CRR 01 Prioritisation &amp; capacity to deliver</b>		8			

	CRR 41 Changing or ceasing some services					
Procurement	<b>MEDIUM RISK GOV CRR 50</b> <b>Legal challenge to process or penalty from Government</b>		10		10	
Leisure Services - TARKA		<b>20/21</b>		5		
Museums and Theatres					5	
Grounds Maintenance contract			8			
LEGAL - Councillor Grants						
DEMOCRATIC SERVICES - Members Allowances		<b>Deferred 20/21</b>		5		5
Customer Service Centre	MEDIUM Based on our Work	<b>Deferred 20/21</b>		8		5
<b>TOTAL</b>			<b>62</b>	<b>50</b>	<b>42</b>	<b>37</b>

## Assurance Work

Audit Title	CRR / Risk	Last audited	21/22	22/23	23/24	24/25
Risk Management	Medium Internal Audit standards require regular review of arrangements <b>HIGH RISK RES 41 Changing or ceasing some services</b>	<b>20/21</b>	2	8		8
Corporate Governance Arrangements	<b>HIGH RISK GOV CRR 04a Local Government Reorganisation distracts NDC</b> <b>MED RISK GOV CRR 06 Change in political direction</b>	<b>20/21</b>	8		8	
Corporate Plan			8			
Partnerships			8			
Fraud, Bribery & Ethics, National Fraud Initiative	LOW RISK GOV CRR 36 Fraud and Corruption	<b>20/21</b>	5	5	5	5
Brexit	<b>HIGH RISK GOV CRR 52 BREXIT (now D20)</b>			10		
Follow Up	N/A	<b>20/21</b>	5	5	5	5
Contingency	NA	NA		10	10	10
Audit Management	N/A	NA	22	22	22	22
<b>TOTAL</b>			<b>58</b>	<b>60</b>	<b>50</b>	<b>50</b>
		<b>FY</b>	<b>21/22</b>	<b>22/23</b>	<b>23/24</b>	<b>24/25</b>
<b>TOTALS</b>			<b>255</b>	<b>247</b>	<b>222</b>	<b>224</b>

## Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

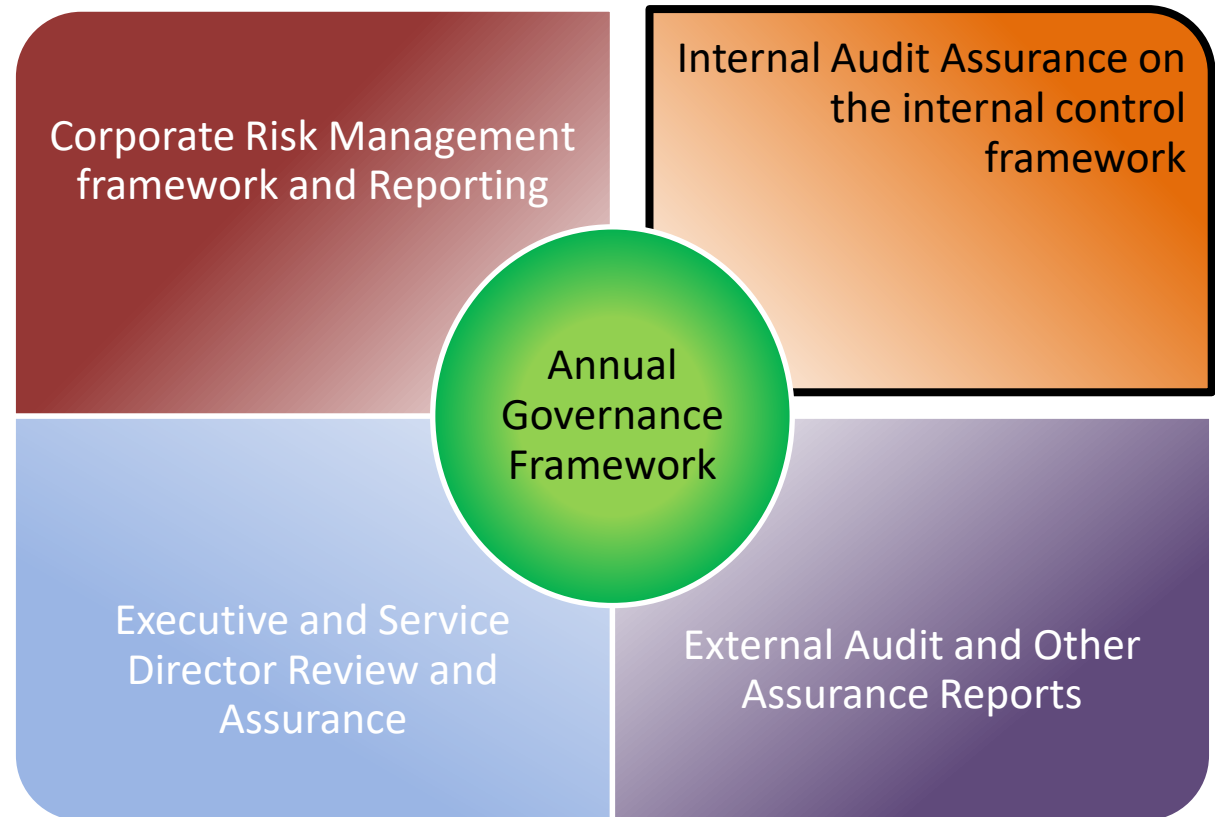
## Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice.
- high quality services are delivered efficiently and effectively.
- ethical standards are met.
- laws and regulations are complied with.
- processes are adhered to.
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:

- be prepared by senior management and signed by the Chief Executive and the Mayor.
- highlight significant events or developments in the year.
- acknowledge the responsibility on management to ensure good governance.
- indicate the level of assurance that systems and processes can provide.
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon.
  - The Authority.
  - Governance Committee.
  - Risk Management.
  - Internal Audit
  - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



The AGS needs to be presented to, and approved by, the Governance Committee, and then signed by the Chair.

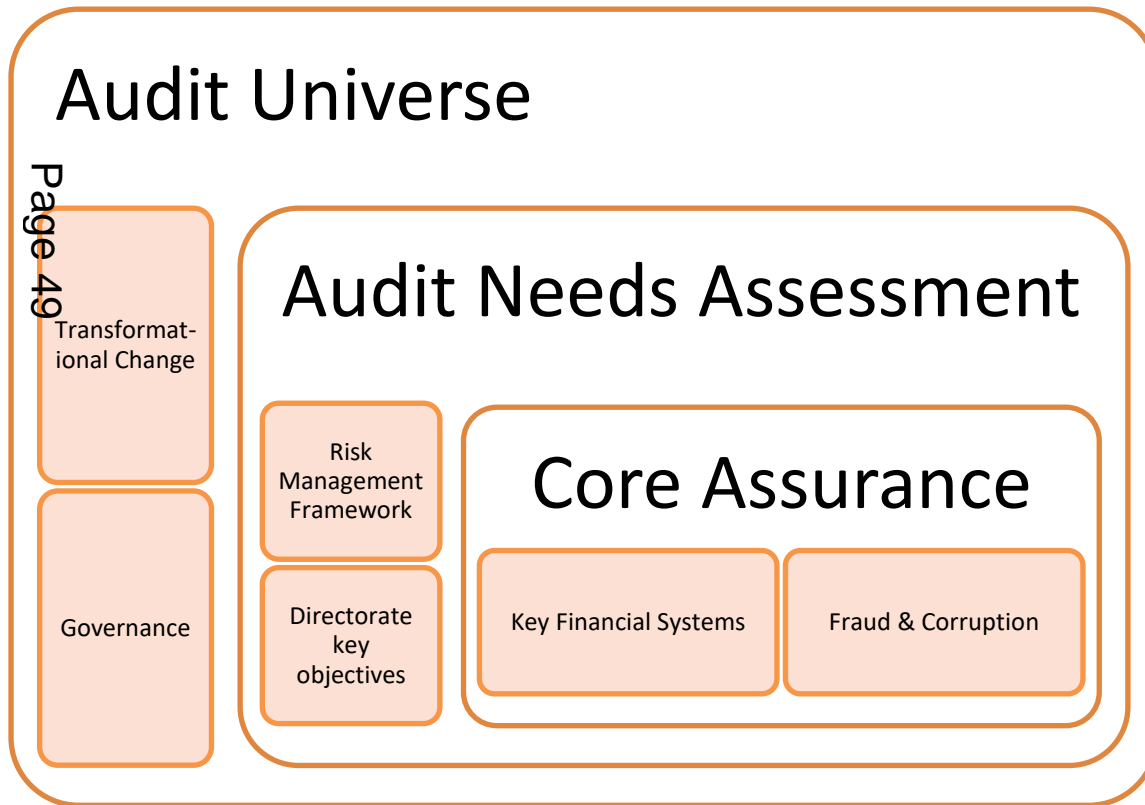
The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.



## Appendix 3 - Audit Needs Assessment

We use a risk-based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority’s strategic and operational risk registers

Review and update of the audit universe

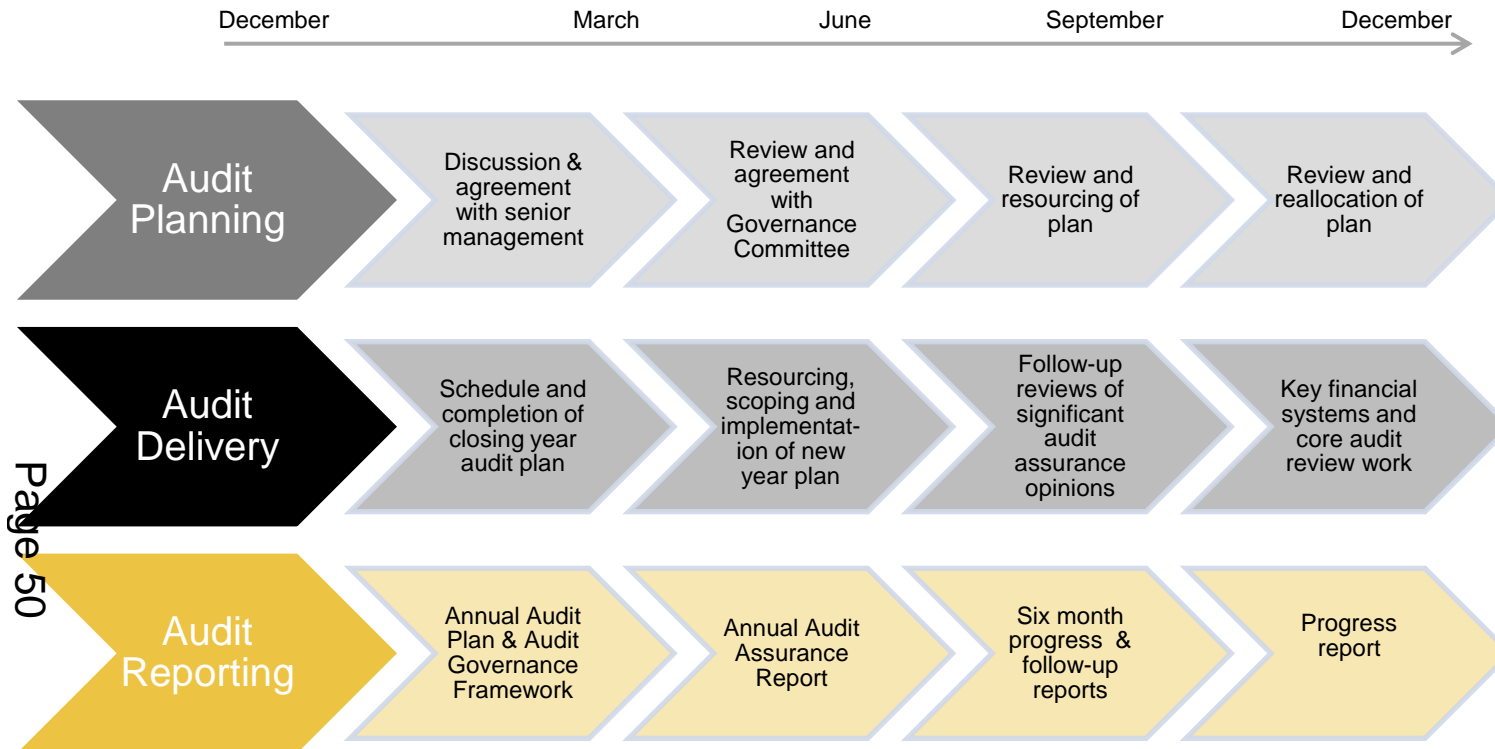
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors

## Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / 2020 Feb 2021	Directorate planning meetings
Mar 2021	Internal Audit Plan presented to Governance Committee
Mar 2021	Internal Audit Governance Arrangements reviewed by Governance Committee
Mar/Apr 2021	Year-end field work completed
April 2021	Annual Performance reports written
May / June 2021	Annual Internal Audit Report presented to Governance Committee
Sept 2021	Progress Report and
Nov 2021	Progress Follow-up reports presented to Governance Committee
Nov 2021	Progress reports presented to Governance Committee
Dec 2021	2022 Internal Audit Plan preparation commences

<b>Robert Hutchins</b> Head of Audit Partnership T 01392 383000 M 07814681196 E <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a>	<b>Paul Middlemass</b> Audit Manager T 01392 381084 E <a href="mailto:paul.middlemass@devon.gov.uk">paul.middlemass@devon.gov.uk</a>	<b>David Curnow</b> Deputy Head of Audit Partnership T 01392 383000 M 07794201137 E <a href="mailto:david.curnow@devonaudit.gov.uk">david.curnow@devonaudit.gov.uk</a>
	<b>Gary Spratley</b> Auditor T 01392 385489 E <a href="mailto:gary.spratley@devon.gov.uk">gary.spratley@devon.gov.uk</a>	
	<b>Chris Elliott</b> Senior AuditOr T 01392 382426 E <a href="mailto:chis.elliott@devon.gov.uk">chis.elliott@devon.gov.uk</a>	

## Appendix 5 Sector Risk Model

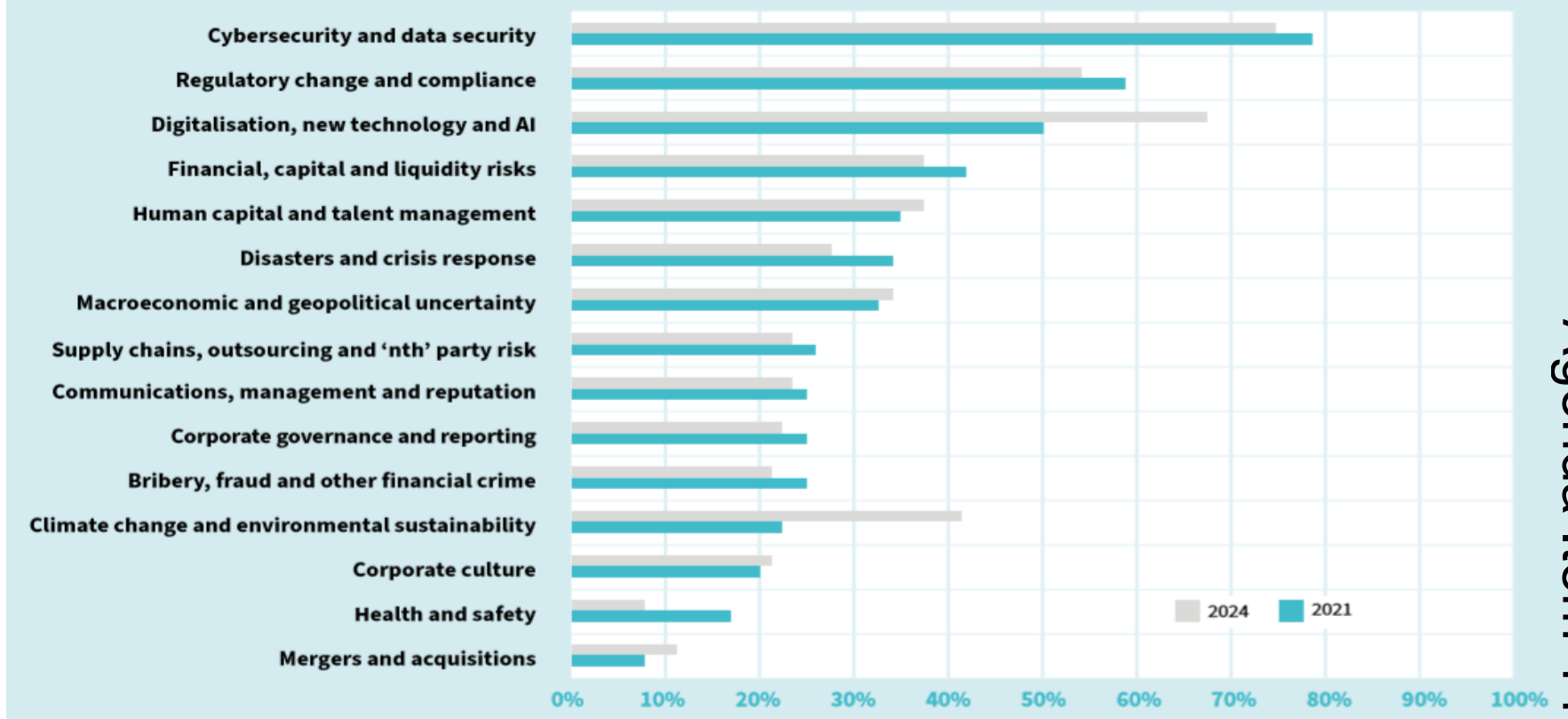
Source Institute of Internal Auditors – Risk in Focus 2021

Top risks seen in audit plans

Key Risk areas:

- Cyber security not going away.
- Digitisation increasing.
- Macro and economic uncertainty not going away.
- Climate change increasing back on the agenda.
- Ability to learn and develop increasing within ‘human capital’

### The top five risks that your organisation currently faces vs. the risks that you think your organisation will face in three years’ time.



## Appendix 6 – Unscheduled Audits Priority Work

Audits identified as priority where resources do not provide for coverage in the current years audit plan

We have identified some audits below that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next year's audit plan.

- Licencing - Food Premises
- Income collection – Pannier Market
- Vehicle Workshop
- Waste Management Recycling targets
- Street Cleansing
- Succession planning – loss of key staff

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## Devon Audit Partnership

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

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

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## MISSION

The Mission risk management of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

## TERMS OF REFERENCE

This document details the **Internal Audit Charter** and **Internal Audit Strategy** for North Devon as required by the Public Sector Internal Audit Standards (PSIAS). The Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the [Devon Audit Partnership \(DAP\)](#), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the PSIAS. The accompanying Audit Strategy is designed to deliver the requirements outlined in the Charter.

## DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a 'Board' and of 'Senior Management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and Senior Management is the Council's Leadership Team. They also make reference to the role of “Chief Audit Executive”. For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).



# INDEX TO SECTIONS OF THE CHARTER AND STRATEGY

## Charter

1. Statutory Requirements and Purpose of Internal Audit
2. Professionalism, Ethics and Independence
3. Authority
4. Accountability
5. Responsibilities
6. Management
7. Internal Audit Plan and Resources
8. Internal Audit Reporting
9. Relationship with the Audit Committee and Non Conformance to the Charter
10. Quality Assurance and Improvement Programme

## Strategy

- Audit Strategy - Purpose
- Annual Audit Opinion
- Audit Planning & Delivery
- Performance Management and Quality Assurance
- Resources and skills
- Staff Development and use of MKI



# CHARTER - STATUTORY REQUIREMENTS AND PURPOSE OF INTERNAL AUDIT

## Statutory Requirements

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer responsible for the proper administration of its financial affairs. In The Council, the Head of Resources is the 'Section 151 Officer'. One way in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## The Purpose and Aim of Internal Audit

The role of Internal Audit is to understand the key risks of the Council, to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation, and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- Support the Section 151 Officer to discharge his / her statutory duties
- Contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- Support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- Provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

# CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

## Being Professional

Devon Audit Partnership will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual. Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

## Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by IIA. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing.
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

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# CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE

## Being Independent

Internal Audit should be independent of the activities that it audits. The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent, and must:

- Have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

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## CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that: Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit:

- 2) (a) make available such documents and records; and
- 3) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- 3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- The Chief Executive
- Members
- individual Directors
- Section 151 Officer
- Monitoring Officer
- All authority employees
- All authority premises.

# CHARTER - ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each founding partner. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. DAP operates within a framework that allows:

- Unrestricted access to senior management and members;
- Reporting in its own name;
- and Separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The HoDAP fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity. The Head of Resources 'Section 151 Officer' will liaise with the HoDAP and is therefore responsible for monitoring performance and ensuring independence.

The HoDAP reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter;
- Approving the risk based internal audit plan and resources;
- Receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- Approving the Head of Devon Audit Partnership's annual report'
- Approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Audit Committee, and has the opportunity to meet privately with the Audit Committee.

# CHARTER - RESPONSIBILITIES

The Chief Executive, Directors and other senior officers are responsible for ensuring internal control arrangements are sufficient to address the risks facing their services. The HoDAP will provide assurance to the Head of Resources 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- Advising on internal control implications of new systems;
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation; and,
- Reporting significant risk exposures and control issues identified to Audit Committee and to senior management, including fraud risks, governance issues.

# CHARTER - MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The HoDAP is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

# CHARTER - INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the HoDAP will submit to the Audit Committee a risk-based internal audit plan for review and approval.

The HoDAP will:

- Develop the annual plan through discussions with Directors based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit Committee for review and agreement;
- Implement the agreed audit plan;
- Maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- Maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

A requirement of the Council's Anti-Fraud and Corruption Strategy is that the HoDAP be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will include sufficient resource to undertake proactive anti-fraud work. Internal audit activities will be conducted in accordance with Council strategic objectives and established policies / procedures.

Monitoring of internal audit's processes is carried out on a continuous basis by internal audit management. Council's members and management may rely on the professional expertise of the HoDAP to provide assurance. Periodically, independent review may be carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.



# CHARTER - INTERNAL AUDIT REPORTING

The primary purpose of Internal Audit reporting is to provide to management an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions. Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be to:

- Give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- Recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report within 30 days, although this period can be extended by agreement.

The response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken, this must also be stated. The HoDAP is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The HoDAP will:

- Submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.



## CHARTER - RELATIONSHIP WITH THE AUDIT COMMITTEE, AND NON CONFORMANCE TO THE CHARTER

The Council's Audit Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS), The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 – Audit Committee).

The HoDAP will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- Attend meetings, and contribute to the agenda;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

# CHARTER - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016, the Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. They concluded that;

*“It is our overall opinion that the Devon Audit Partnership **generally conforms**\* to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards”.*

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

# AUDIT STRATEGY - PURPOSE

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Should be approved, but not directed, by the Audit Committee.
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
  - Internal audit objectives and outcomes;
  - How the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - How Internal Audit's work will identify and address significant local and national issues and risks;
  - How the service will be provided, and
  - The resources and skills required to deliver the Strategy.

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The Strategy should be kept up to date with the organisation and its changing priorities.



# AUDIT STRATEGY - OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

A key objective of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks will be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings will be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee. The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- Provide an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- Disclose any qualifications to that opinion, together with the reasons for the qualification;
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- Draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- Compare audit work actually undertaken against the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- Comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

# AUDIT STRATEGY - PLANNING & AUDIT DELIVERY

INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

## *Assignment Planning & Delivery*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

The primary objective of the audit is to provide management with an independent opinion on the risk and control framework through individual audits in the audit plan. Individual audits will be completed using our methodology in our Audit Manual to the standards set by PSIAS, to independently evaluate the effectiveness of internal controls. Our audit assignment report will communicate our opinion and include agreed management action, where required, to improve the effectiveness of risk management, control and governance processes.

# AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- A comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- Seeking *user feedback* for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment);
- and
- An action plan to implement improvements.

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed for each individual audit; and for the Internal Audit Service as a whole. The HoDAP will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see the following pages).

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from: auditees; senior leadership; and executive management. The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

The HoDAP is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

# AUDIT STRATEGY - PERFORMANCE MANAGEMENT AND QUALITY ASSURANCE

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

Internal Audit  
Performance  
Monitoring  
Targets

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Other indicators measured as part of the audit process that will be captured and reported to senior management

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# AUDIT STRATEGY - RESOURCES AND SKILLS

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

DAP currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x CCAB qualified
- 7 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT qualified
- 7 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

# AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF MK AUDIT

## **Staff Skills and Development**

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

## **Internal Audit Software System**

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Internal Audit

# Audit Progress Report 2020-21

## North Devon District Council Governance Committee

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March 2021

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

Agenda Item 13

## Introduction

The Governance Committee, under its Terms of Reference contained in North Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities carry out an annual review of the effectiveness of their internal audit system and incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2020-21 was presented and approved by the Governance Committee in March 2020. The following report and appendices set out the background to audit service provision and provides a position statement on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report contributes to that annual opinion.

### Expectations of the Governance Committee from this progress report

Governance Committee members are requested to consider:

- the assurance statement within this report.
- the basis of our opinion and the completion of audit work against the plan.
- the revised audit plan provided.
- audit coverage and findings provided.
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Governance Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**We are completing work against the agreed internal audit plan to support provision of an opinion on the overall control environment. Assurance opinions assessed indicates that we are likely to provide a Reasonable Assurance opinion on the adequacy and effectiveness of the Authority’s internal control framework.**

*This opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews. An opinion on the adequacy of controls is provided to management as part of each audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.

Implementation of action plans is the responsibility of management but may be reviewed during subsequent audits or as part of a follow-up process.

Directors and Senior Management are provided with details of Internal Audit’s opinion for each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

<b>Substantial Assurance</b>	A sound system of governance, risk management and control exist across the organisation, with internal controls operating effectively and being consistently applied to support the achievement of strategic and operational objectives.
<b>Reasonable Assurance</b>	There are generally sound systems of governance, risk management and control in place across the organisation. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of some of the strategic and operational objectives.
<b>Limited Assurance</b>	Significant gaps, weaknesses or non-compliance were identified across the organisation. Improvement is required to the system of governance, risk management and control to effectively manage risks and ensure that strategic and operational objectives can be achieved.
<b>No Assurance</b>	Immediate action is required to address fundamental control gaps, weaknesses or issues of non-compliance identified across the organisation. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of strategic and operational objectives.

## Executive Summary of Audit Results

### Core Key Financial Audits

We provided a “Substantial” Assurance for Income Collection, and a ‘Reasonable Assurance’ opinions for all other completed audit work to date. Car Parks, and Housing Benefits are close to completion. Our review on Council Tax will commence shortly and have a request to defer our Payroll audit.

### Risk Based Audit

During the period we completed audits on Covid-19 safe staff operations, and on the new Leisure Centre. We expected to complete our Cyber Security audit this month and have also started work on Climate Change. We will also be following up on actions from the previous Business Continuity audit.

A table showing the audit opinions delivered to date is detailed below.

Audits delivered this year	Assurance Opinion	Recommendations			
		H	M	L	O
Income Collection	Substantial	2	2		
Main Accounting System	Reasonable	1	2		
Risk Management	Reasonable	2	7	0	4
Creditors	Reasonable		3		
Building Control	Reasonable	3	2	1	1
New Leisure Centre	Reasonable		2	3	3
Covid-19 Safe Staff operations	Reasonable – in draft	2	5		1

### Counter Fraud Work

We have recently reviewed the Council Counter Fraud (CF) Strategy and Plan and made suggestions to improve focus on detection and action where fraud is identified. We are also providing access to a CF training package.

### Assurance Mapping

Based on our audit results, we have updated the Assurance Map in early January. We attach a new summary sheet (Appendix 2) to these papers for information.

### Value Added

It is important that the internal audit service seeks to "add value" whenever it can. We believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan to ensure we provide real time assurance, such as on Safe staff operations during this emergency.
- Comparing and contrasting controls across the different Devon Councils that we support.

### Audit Coverage and Performance Against Plan

Work is completing on the audit plan for 2020-21, with some residual work outstanding at the time. Four of the core audits are complete, two are close to completion and the remaining audits will be undertaken before the year end. We are in a good position to substantially complete the revised audit plan.

Appendix 1 to this report provides a summary of the audits in progress / undertaken to date, along with our assurance opinion. Where a "substantial assurance" or "reasonable assurance" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "limited assurance" has been provided then issues were identified during the audit process that required attention. We have provided a summary of key issues reported

that are being addressed by management. We are content that management are appropriately addressing these issues.

**Key performance indicators** on progress against audit recommendations is monitored and managed by the Authority. We intend to undertake a formal review of recommendations in Quarter Four of recommendations to confirm that they have been effectively implemented.

### Fraud Prevention and Detection

There have been no reported issues in the year to date. Management are aware that they can refer any suspected issues to our counter fraud team.

**Customer Satisfaction** – satisfaction returns specific to NDDC have yet to be received this year though in general for DAP, survey returns score 98% satisfaction year to date.

**Planning for 2021-22 Audit Plan** - We have created a draft audit plan which we have discussed with Senior Management Team. The plan is being discussed as a separate agenda item at this Governance Committee.

**Internal Audit Charter and Strategy** –. At this meeting we have also provided an updated Audit Charter and Strategy for agreement by the Governance Committee as a separate agenda item.



## Appendix 1 – Summary of audit reports and findings for 2020-21

### Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale.  
 Amber – agreement of action plan delayed, or we are aware progress is hindered.  
 Red – action plan not agreed, or we are aware progress on key risks is not being made.  
 \* report recently issued; assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Risk Based Reviews</b>						
<b>Tarka Leisure Centre</b> Risk / ANA: – Low, Client request – high spend area	Reasonable Assurance	We consider there are effective controls to monitor delivery of the build of the leisure centre, and the risks associated with it. There are a range of experts involved in monitoring delivery, including the Councils Parks and Leisure Team, the project manager (Currie and Brown), and UK Sport representatives. The comprehensive Design, Build, Operate and Maintain arrangements detailed in the contract are designed to reduce the level of risk to the Council.  Improvement opportunities in the control environment include: <ul style="list-style-type: none"> <li>Enhancing the Projects risk register to detail out the mitigating actions more clearly for each risk, and to include “Opportunities”.</li> <li>More systematic stakeholder engagement supported by creation of a communications plan.</li> <li>Obtaining additional assurance from the contractors that there will not be shortages of materials that delay the build programme (3<sup>rd</sup> party resilience).</li> </ul>	-	2	3	
<b>Safe staff operations during the C-19 emergency</b> Risk / ANA: High Risk Pandemic Influenza	Report in draft - Reasonable Assurance	We are currently discussing this report with management:  We consider the Council quickly introduced measures at the start of the emergency to ensure their high-risk operational staff had appropriate protection and measures to reduce the C-19 risk. This included undertaking comprehensive risk assessments for all staff and introducing measures to create work crew bubbles and cleaning regimes. Latterly they have ensured that key staff obtain C-19 injections and introduced lateral flow testing.	2	5	-	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
		Our survey delivered as part of the audit identified that staff felt that they had good support from colleagues and managers but less well supported by the organisation as a whole or by senior management. As some staff indicated they felt isolated or lonely, we will be suggesting that the Council re-instate their workstream on mental health and wellbeing, which was paused due to the emergency, Management is also considering introducing personalised risk assessments to help identify instances where there are wellbeing issues to enable support to be provided. In that respect, management should consider regular temperature checks of their staff to ensure they have a good picture of how they are feeling, and their concerns, and take effective action to address them.				
Counter Fraud Strategy and Plan		We have reviewed the Council's current Counter Fraud Strategy and Policy and made suggestions to make them more effective in providing a more robust Counter Fraud defence. We are discussing these with the Head of Resources and are looking to seek endorsement from the Governance Committee in June 2021. The next step will be to undertake specific targeted activity on the high-risk areas to identify any fraud or error.				
Completing the Audit Plan for 20/21	<p>The following are in fieldwork, and are close to completion:</p> <ul style="list-style-type: none"> <li>• Housing Benefits</li> <li>• Car Parks</li> <li>• Cyber Security</li> </ul> <p>We have produced a Terms of Reference for a Climate Change – Strategy audit to be undertaken in the next few weeks. This is a precursor to a more tactical review on Climate Change actions within Service areas. We await management agreement to start the audit.</p> <p>We have the following audits to complete in the next few weeks:</p> <ul style="list-style-type: none"> <li>• Council Tax / NNDR.</li> <li>• Follow up on Business Continuity.</li> <li>• Governance Arrangements.</li> <li>• Information Governance.</li> </ul>					



## Appendix 2 – Assurance Map

The Institute of Internal Auditors provides a summary of the benefits of Assurance Mapping:

- An assurance map brings an organisations risk appetite to life. At the same time as highlighting assurance gaps, it also shows where there is duplication or too much assurance. It is a simple way of aligning assurance resource, risk and internal control.
- It improves awareness of the control environment by looking across the organisation rather than at individual reports which can lead to siloed thinking.
- It drives positive behaviours by enabling robust discussions about risk, educating on the value of assurance and aiding collaboration between functions.
- Collectively, the assurance community of an organisation often has a more powerful voice when it works together; an assurance map is a practical platform benefiting all parties.

Since the last Governance Committee, we have continued to work on the assessment. This has been populated using previous audit reports, the Council’s risk register, and cumulative audit knowledge of the respective authority. The completion of the summary and individual maps provides us with a base from which we can concentrate our audit fieldwork on key risks and areas marked as ‘Improvements required’ (Amber) or Fundamental Weaknesses (Red) rather than ‘High / Good’ (Green). Further work is needed to map out the 3<sup>rd</sup> line assurances that the Council may be obtaining in each of these areas.

As this provides a historical view of assessments, we are not able to place complete reliance on these assessments without undertaking further walkthrough or sample testing of the area. However, based on the current assessment we highlight the following:

- Authorisation, Segregation and Supervision: As a small organisation, the Council will need to balance effective progression of work with effective supervision. Our work has identified instances where good practice in terms of supervising, checks, or sign offs may not be in place due to the need to progress work more efficiently. In these instances, management should be aware of the competing risks, and make decisions on those controls having weighed up the different factors.
- Financial Monitoring, Reconciliation reporting, Statutory Returns. Our work has identified several instances where performance information is not being reported effectively to allow management to monitor and take effective decisions, such as the monitoring of debt figures and resultant action, Car Park penalty charge collection.
- Business Continuity and Supplier Resilience. The Amber and Red in this area is from previous audits which are some time ago. We are looking to review these areas in the next month. That said, we are aware that many organisations do not regularly test their business continuity plans, and do not check that their key suppliers are themselves resilient and have effective plans to cope with emergencies.
- Cyber Security and IT Resilience. This continues to be a high-risk area, with Cyber Security including attacks using Ransomware being especially highlighted as a concern by central government. We are now undertaking a review of this area which will provide further detail on current residual risk.
- Risk Management. It is important that risks, issues and opportunities can be quickly escalated for management attention. We identified some areas where risk and issue escalation need to be included as part of the management process.
- Fraud and Error. We have recently fed in suggestions to improve the Counter Fraud Strategy and Plan. Like most organisations, the Council could do more to consider how to identify and prevent fraud and error from occurring and will make suggestions on how to do this as we progress future work.

In review of the above, members and management should consider the assurance provided alongside that of the risk management and other assurance arrangements and satisfy themselves that the internal control framework operates at an adequate level to mitigate risks.

Corporate Governance / Audit Committee

Senior Management

Risk / Key Objective / Key Service	Business Operation - 1st line defence								Financial, Corporate and Governance - 2nd line defence							Independent Assurance - 3rd line defence						Regulators			External audit		
	Identifying risks and improvement actions. Implementing controls. Reporting on progress. Management assurance								Assurance oversight, management and financial policies, setting direction, risk management, ensuring compliance.							Independent challenge & audit. Reporting on assurance. Audit of assurance providers. Entity level assurance.						Legal, Government other inspection and compliance review					
	Internal Control Measures				Management controls																						
	Core systems controls inc. IT system, parameters	Input processing and output controls	Fraud and error prevention	Authorisation, supervision and segregation	Performance & Financial management reports	3rd Party and Business continuity, Disaster recovery	Strategies and business plans inc. Benchmarking	Misc	Financial, Monitoring, Reconciliation, reporting, Statutory Returns	Functional & Service compliance reviews	Quality control checks (H&S, Info Governance)	Security inc IT systems & physical	Governance structures and processes (inc. financial & policy)	Corporate risk management/assurance	Regulatory Notices	External accreditation/Certification (ISO 27001)	External compliance testing - e.g. security, resilience, quality	3rd Party assurance letters	Consultant reviews	Strategic partners, assurance reports inc. Peer review	spare -	Internal audit assignments	Internal Audit Report date	Inspection - Ofsted, CQC, ICO, HSE	HMRC Tax and Revenue	Spare - Other ?	
P Payroll	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	G	G		G	G	n/a	Substantial	Apr-20	n/a	G	n/a	G
Creditors	A	G	G	A	G	G	A	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-20	n/a	G	n/a	G
KFS - Debtors	G	G	G	G	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	A	A	n/a	Reasonable	Feb-20	n/a	G	n/a	G
Main Accounts & Budgetary Control	A	G	G	A	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-20	n/a	n/a	n/a	G
KFS - Treasury Management	G	G	G	G	G	G	A	n/a	G	G	G	G	G	G	A	n/a	G	n/a	G	n/a	n/a	Substantial	Feb-20	n/a	n/a	n/a	G
KFS - Council Tax / NNDR	G	G	G	A	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a			n/a	n/a	n/a	Reasonable	Mar-20	n/a	G	n/a	G
KFS - Housing Benefits	G	G	G	G	G	G	G	n/a	A	G	G	G	G	G	n/a	n/a			n/a	n/a	n/a	Reasonable	Apr-20	n/a	G	n/a	G
KFS - Income & Cash Collection	G	G	G	A	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Oct-20	n/a	G	n/a	G
Parking	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Fieldwork		n/a	n/a	n/a	G
Contracts	G	G	G	A	G	G	A	A	G	G	G	G	A	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Apr-20	n/a	n/a	n/a	G
Corporate Governance & RM	G	A	G	G	A	G	G	n/a	A	G	G	G	G	A	n/a	n/a	n/a	n/a	n/a	n/a	n/a	Reasonable	Nov-20	n/a	n/a	n/a	G
3rd Party resilience / governance	G	A	G	G	A	A	A	n/a	A	G	G	G	A	G	n/a	n/a			n/a		n/a	A		n/a	n/a	n/a	n/a
Business Continuity	G	A	G	G	A	A	R	n/a	G	R	G	G	A	G	n/a	n/a			n/a		n/a	No Assurance	Feb-20	n/a	n/a	n/a	n/a
Cyber Security							A															Fieldwork					
GDPR	G	A	G	G	G	G	G		G	A	G	G	A	G								Reasonable	Nov-18				
Fraud and error	G	G	A	G	A	G	A	n/a	A	G	G	G	G	G	G	G	G	n/a	n/a	n/a	n/a	Limited	Nov-19	n/a	n/a	n/a	n/a
Health and Safety (C-19 focus)	G	G	G	G	A	G	G		A	G	G	G	G	G	n/a	n/a		n/a	n/a		n/a	Reasonable		n/a	n/a	n/a	n/a
New Leisure Centre	G	G	G	G	G	G	G	A	G	G	G	G	G	A	n/a	n/a	n/a	G	n/a	n/a	n/a	Reasonable	Dec-20	n/a	n/a	n/a	n/a
Safeguarding	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a
Housing Needs	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a	n/a	n/a	G		n/a	n/a	n/a	G
New Housing Schemes	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	G		n/a	n/a	n/a	G
Regeneration	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a		n/a		n/a	Substantial	Nov-19	n/a	n/a	n/a	G
Building Control	G	G	G	G	G	G	G	n/a	G	G	G	G	A	A	n/a	n/a	n/a		n/a		n/a	Reasonable	Sep-20	n/a	n/a	n/a	n/a
Crematorium	G	G	G	G	G	G	G	n/a	G	G	G	G	G	G	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	n/a	n/a	n/a

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### **Devon Audit Partnership**

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

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

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# Audit Progress Report and Sector Update

North Devon District Council  
Year ending 31 March 2021  
12 February 2021



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# Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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

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# Progress at February 2021

## Working with You

### Meetings

We will continue discussions with management regarding emerging developments and to ensure the audit process is smooth and effective. This includes the new approach to VFM, and the timing of audit deliverables.

### Working Arrangements

With the return to lockdown we envisage having to continue to work completely remotely for a longer period. Working with the Council, we managed this well at the last audit and we will seek to be in regular contact with your finance team in respect of the logistics of these arrangements, recognising that staff, service provision and resident welfare during the pandemic will be your priorities.

Our interim audit is planned for March 2021. We will be discussing this with the finance team to ensure we maximise the use of this time and ensure limited impact on your staff at this busy time.

### Certification of claims and returns

We certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The DWP revised the deadline for completion of this work until 31 January 2021. We completed our work and signed off the claim on 27 January 2021.

The claim was certified without amendment. Our initial testing did identify errors that resulted in further work being undertaken. In all cases these resulted in underpayment of benefit, which will be corrected in the 2020/21 subsidy year and therefore have no impact on the subsidy received by the Council.

We have carried out additional testing over the past 3 years on Rent Allowances focusing on the earned income amount used in the assessment of entitlement. Whilst our discovery testing did not identify any issues in 2019/20 we are required to test an additional 40 cases under cumulative knowledge procedures. This work identified 7 cases where the incorrect income had been used. Of these 3 led to underpaid benefit and 4 led to overpaid benefit. The extrapolated impact of the overpaid benefit was £165.

## 2020/21

The delivery of 2019/20 financial statements audits presented a significant challenge. Whilst North Devon District Council's opinion was signed by the end of November 2020 deadline a number of opinions regionally and nationally have not yet been given. This is largely due to the impact of Covid19. This, and delayed Housing Benefit certification work, has had a significant impact on our ability to complete enough audit planning to issue a 2020/21 Audit Plan in time for the March Governance Committee.

Whilst we will formally present the Audit Plan at the next Governance Committee we will look to issue the Plan in March 2021 after we have completed sufficient audit planning to allow this.

Our interim audit is also due to take place in early to mid March. This work will be focused on:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems and business processes;
- Review of Internal Audit reports on core financial systems;
- Early work on any emerging accounting issues;
- Early substantive testing in significant risk areas where possible.

We will report any findings from our interim audit in these progress reports.

### Events

Our annual accounts workshop for Chief Accountants is taking place in February 2021 and your finance team have received invites. These will be taking place remotely due to the current homeworking requirements and will cover topical issues and technical areas pertinent to the 2020/21 statutory accounts.

## Value for Money

As communicated in our previous sector updates, on 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The most significant change in the Code is the introduction of a new 'Auditor's Annual Report', which brings together the results of all the auditor's work across the year. The Code also introduced a revised approach to the audit of Value for Money. These changes are set out in more detail in the NAO's Auditor Guidance Note 03 which was published on 15 October 2020.

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering governance, financial sustainability and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach
- The replacement of the binary (qualified /unqualified) approach to VfM conclusions, with far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

We will complete our initial risk assessment in March 2021 and we will report any risks of significant weakness, in our Audit Plan.



# Audit Deliverables

2020/21 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2020/21.	April 2021	Not yet due
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2020-21 financial statements. This also includes the findings of our value for money initial risk assessment.	Late March 2021	Not yet due
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit in our Audit Progress Report.	June 2021	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the September Governance Committee.	September 2021	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements and annual governance statement.	September 2021	Not yet due
<b>Auditor's Annual Report</b> Under the new Code of Audit Practice this replaces the Annual Audit Letter and is the key output from local audit work on arrangements to secure VFM.	September 2021	Not due yet

# Sector update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below :

Public Sector

Local  
government

# Revised auditing standard: Auditing Accounting Estimates and Related Disclosures

In the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which are effective for audits of financial statements for periods beginning on or after 15 December 2019. ISA (UK) 540 (revised): *Auditing Accounting Estimates and Related Disclosures* includes significant enhancements in respect of the audit risk assessment process for accounting estimates.

## Introduction

Under ISA (UK) 540 (Revised December 2018) auditors are required to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- The entity's information system as it relates to accounting estimates;
- The entity's control activities in relation to accounting estimates; and
- How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Governance Committee members:

- Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

## Additional information that will be required for our March 2021 audits

To ensure our compliance with this revised auditing standard, we will be requesting further information from management and those charged with governance during our audit for the year ended 31 March 2021 in all areas summarised above for all material accounting estimates that are included in the financial statements.

Based on our knowledge of the Council we have identified the following material accounting estimates for which this is likely to apply:

- Valuations of land and buildings, and investment properties
- Depreciation
- Year end provisions and accruals,
- Credit loss and impairment allowances
- Valuation of defined benefit net pension fund liabilities
- Fair value estimates

## The Council's Information systems

In respect of the Council's information systems we are required to consider how management identifies the methods, assumptions and source data used for each material accounting estimate and the need for any changes to these. This includes how management selects, or designs, the methods, assumptions and data to be used and applies the methods used in the valuations.

When the models used include increased complexity or subjectivity, as is the case for many valuation models, auditors need to understand and assess the controls in place over the models and the data included therein. Where adequate controls are not in place we may need to report this as a significant control deficiency and this could affect the amount of detailed substantive testing required during the audit.

If management has changed the method for making an accounting estimate we will need to fully understand management's rationale for this change. Any unexpected changes are likely to raise the audit risk profile of this accounting estimate and may result in the need for additional audit procedures.

We are aware that the Council uses management experts in deriving some of its more complex estimates, e.g. asset valuations and pensions liabilities. However, it is important to note that the use of management experts does not diminish the responsibilities of management and those charged with governance to ensure that:

- All accounting estimates and related disclosures included in the financial statements have been prepared in accordance with the requirements of the financial reporting framework, and are materially accurate;
- There are adequate controls in place at the Council (and where applicable its service provider or management expert) over the models, assumptions and source data used in the preparation of accounting estimates.

### Estimation uncertainty

Under ISA (UK) 540 (Revised December 2018) we are required to consider the following:

- How management understands the degree of estimation uncertainty related to each accounting estimate;, and
- How management address this estimation uncertainty when selecting their point estimate.

For example, how management identified and considered alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the point estimate used.

The revised standard includes increased emphasis on the importance of the financial statement disclosures. Under ISA (UK) 540 (Revised December 2018), auditors are required to assess whether both the accounting estimates themselves and the related disclosures are reasonable.

Where there is a material uncertainty, that is where there is a significant risk of a material change to the estimated carrying value of an asset or liability within the next year, there needs to be additional disclosures. Note that not all material estimates will have a material uncertainty and it is also possible that an estimate that is not material could have a risk of material uncertainty.

Where there is material estimation uncertainty, we would expect the financial statement disclosures to include:

- What the assumptions and uncertainties are;
- How sensitive the assets and liabilities are to those assumptions, and why;
- The expected resolution of the uncertainty and the range of reasonably possible outcomes for the next financial year; and
- An explanation of any changes made to past assumptions if the uncertainty is unresolved.

### How can you help

As part of our planning risk assessment procedures we routinely make a number of enquiries of management and those charged with governance, which include general enquiries, fraud risk assessment questions, going concern considerations etc. Responses to these enquiries are completed by management and confirmed by those charged with governance at a Governance Committee meeting. For our 2020/21 audit we will be making additional enquiries on your accounting estimates in a similar way (which will cover the areas highlighted above). We would appreciate a prompt response to these enquiries in due course.

### Further information

Further details on the requirements of ISA (UK) 540 (Revised December 2018) can be found in the auditing standard on the Financial Reporting Council's website:

[https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-\(UK\)-540-Revised-December-2018-final.pdf](https://www.frc.org.uk/getattachment/0fa69c03-49ec-49ae-a8c9-cc7a2b65382a/ISA-(UK)-540-Revised-December-2018-final.pdf)

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## NORTH DEVON DISTRICT COUNCIL

**REPORT TO: GOVERNANCE COMMITTEE**

Date: 9<sup>th</sup> March 2021

**TOPIC: AUDIT RECOMMENDATION TRACKER**

**REPORT BY: CHIEF EXECUTIVE**

### **1 Introduction**

- 1.1 This is the regular progress report to the Committee in relation to action taken to address internal and external audit recommendations.

### **2. Recommendations**

- 2.1 That the Committee note the actions that have been taken to address identified risks since the 12<sup>th</sup> January 2021 Governance Committee meeting.
- 2.2 That the Committee raises any areas of concern arising from the list of outstanding recommendations.














### **3. Reasons for Recommendations**

- 3.1 To give assurance to the Committee that audit recommendations are being actively managed, and to give the Committee a full opportunity to review any areas of concern.

### **4. Report**

- 4.1 SMT has reviewed the high and medium risk audit recommendations to assess progress and instigate any required actions.
- 4.2 Since the last meeting the number of recommendations now tracked has risen to 1,229.

**Table A) Live Audit Reports, Status & Numbers**

Code	Title	Status	Progress	High Risk	Medium Risk	Low Risk
16 PL	Planning Applications 2015/16	 In Progress	83%	0	3	0
17 SRR	Security Review Report 2017/18	 In Progress	98%	4	5	0
17 L	Licencing 2017/18	 In Progress	95%	0	1	3
17 G	Grants 2017/18	 In Progress	99%	0	2	5
19 GDPR	General Data Protection Regulations 2018/19	 In Progress	92%	0	0	7
20 BC	Business Continuity 2018/19	 In Progress	0%	3	1	0
20 FB&E	Fraud, Bribery & Ethics 2018/19	 In Progress	40%	0	5	1
20 CC	Cash Collection 2020/21	 In Progress	50%	2	2	0
20 CG & RM	Corporate Governance & Risk Management 2020/21	 In Progress	0%	6	2	0
20 MCS&BC	Main Accounting System & Budgetary Control 2020/21	 In Progress	0%	1	1	0
20 P	Payroll 2019/20	 In Progress	0%	0	0	1
20 LCP	Leisure Centre Project	 In Progress	50%	0	2	4
20 C	Creditors	 In Progress	25%	0	3	0



**Table B: Audit recommendations setting completed since the last Audit Committee**

Recommendation	Closure Note	Original Due Date	Completed Date
20 CG&RM 05 The Corporate Risk Group should be given responsibility or oversight and effective operation of the Risk Framework	15-Feb-2021 <b>Closure Note:</b> The Risk Management Framework has been revised to make the responsibility and oversight clearly assigned to our Corporate Risk Management Group CORGI.	31-Dec-2020	15-Feb-2021
20 CG&RM 10 Significant actions from H&S Welfare Committee should be tracked in an 'Actions Section' of the notes. Notes referred to CORGI & SMT	22-Feb-2021 The H&S minutes now have an 'actions' column added at the end so they can be collated.	31-Dec-2020	22-Feb-2021
20 CG&RM 11 Opportunity: The Risk Management Framework to outline where it has low risk tolerance e.g. Law, H&S, Data Protection to be noted	13-Jan-2021 <b>Closure Note:</b> The Council's Risk Management Framework has been updated to incorporate a section setting out those areas the Council has a low tolerance of risk for.	31-Dec-2020	13-Jan-2021
20 LCP 03 Improve the detail / quality of recorded mitigating actions on the risk should include target dates to implement them with a link to the mitigating actions in the risk register.	11-Jan-2021 <b>Management Response:</b> A Risk Register review and update will now be a standing agenda item on monthly meeting agendas. Killian Hall at Curry & Brown will ensure that the monthly project minutes include actions to update this risk register mitigations. This should start with immediate effect and be noted in the minutes of the December 2020 project meeting.	31-Dec-2020	11-Jan-2021
20 LCP 06 The Council should create an engagement strategy / communications plan to include updating the North Devon Website	11-Jan-2021 <b>Management Response:</b> A communication strategy had been prepared in 2019, but this only covered a period up until construction start on site. The plan was then somewhat derailed due to Covid 19. Following this audit, colleagues in NDC's Communications department have drafted an updated plan taking us through to the opening of the new centre. M.Kentell and R.Slaney to now agree action dates with comms colleagues and sign off the new strategy (by Mid January 2021).	31-Jan-2021	31-Jan-2021

**Table C: Outstanding Audit Recommendations where Head of Service have requested a revision to the due date**

Code	Description	Progress	Latest Note	Original Due Date	Due Date
20 CG&RM 01	Review, update & version control the Risk Management Framework & re-publish to Middle Managers	85 %	<p>The review of the Corporate Risk Management Framework has been completed and this version has been distributed to all CORGI members. This will then be discussed at the next CORGI meeting, approved and re-published to all Middle Managers.</p> <p><b>Request Revised due date: 31st March 2021</b></p>	31-Dec-2020	31-Dec-2020

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**Table D: Outstanding Audit Recommendations**

Code	Description	Progress	Latest Note	Original Due Date	Due Date
NIL					

Agenda Item 15

## 5. Progress tracking of Annual Governance Statement

- 5.1 An annual review of NDC's governance arrangements leads to the Annual Governance Statement, which forms part of the Statement of Accounts.
- 5.2 In addition to any other issues the review captures recommendations from external and internal audit and inspections and sets out an action plan. This plan is tracked through Covalent; Table E below.

## 6. Constitution Context

Appendix and paragraph	Referred or delegated power?
5.5	Delegated

## 7. Statement of Internal Advice

- 7.1 The author (below) confirms that advice has been taken from all appropriate Councillors and officers.

---

Author: Sarah Higgins Date: 22<sup>nd</sup> February 2021  
Reference: Audit Recommendation Report March 2021 V1.0

**Table E: Annual Governance Statement 2019/20**

Code	Description	Status	Progress Bar	Latest Note	Original Due Date	Due Date
AGS 19/20 01	Review all business continuity plans and introduction of a corporate business resumption plan together with a cyber attack response plan, a revised Disaster Recovery Plan and new Cyber Incident Response Plan	In Progress	0%	We have a Cyber Incident Response Plan, which was adopted by SMT a couple of years ago. The team have been reviewing this and there was another meeting on 17th December to complete.	31-Mar-2022	31-Mar-2022
AGS 19/20 02	Development of an Action Plan to implement recommendations from the Peer Review	In Progress	0%		31-Mar-2021	31-Mar-2021
AGS 19/20 03	Financial and Contract Procedure rules	In Progress	0%		31-Mar-2021	31-Mar-2021

### Governance Committee Work Programme 2020/21

This work programme provides structure for the Audit Committee to ensure it receives reports and updates at the appropriate meetings throughout the year. It is reviewed and updated at each committee meeting.

#### North Devon Council Reports and updates:

Dates of forthcoming meetings:	Jun 2020	Jul 2020	Sep 2020	Nov 2020	Jan 2021	Mar 2021
Review of the Committee's Terms of Reference						Report Due
Annual Review of the Committee's effectiveness (JT)						Report Due
Half Yearly Report from the Chair of the Governance Committee (KJ).			Report Due Sept each year			Report Due March each year
Annual Governance Statement			Report Due			
Statement of Accounts	Report Due					
Letter of Representation (JT)			Report Due			
Compensation payments made under delegated powers. (CH)		Report Due				
Corporate Risk Register (SH)			Report Due			Report Due

Dates of forthcoming meetings:	Jun 2020	Jul 2020	Sep 2020	Nov 2020	Jan 2021	Mar 2021
Major changes to Accounting Policies Management procedures to be reported by the Head of Resources						Report Due
Update on Governance Arrangements					Report Due	
Update on Business Continuity					Report Due	
Audit Recommendation Tracker	Report Due	Report Due	Report Due	Report Due	Report Due	Report Due
Work Programme	Report Due	Report Due	Report Due	Report Due	Report Due	Report Due

**Internal Audit Agenda Items:**

Dates of forthcoming meetings:	Jun 2020	Jul 2020	Sep 2020	Nov 2020	Jan 2021	Mar 2021
Internal Audit Annual report	Report Due					
Internal Audit Strategy and Plan						Report Due
Internal Audit Charter						March each year
Internal Audit Progress Report	Report Due	Report Due	Report Due	Report Due	Report Due	Report Due

**External Audit Items:**

Dates of forthcoming meetings:	<b>Jun 2020</b>	<b>Jul 2020</b>	<b>Sep 2020</b>	<b>Nov 2020</b>	<b>Jan 2021</b>	<b>Mar 2021</b>
External Audit - Fee Letter						
External Audit - Findings Report			Report Due			
External Audit - Annual Audit Letter				Report Due		
External Audit - Plan						Report Due
Certification Work Report						Report Due
External Audit - Progress Report and Sector Update	Report Due	Report Due	Report Due	Report Due	Report Due	Report Due

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## Governance Committee Work Programme 2021/22

This work programme provides structure for the Audit Committee to ensure it receives reports and updates at the appropriate meetings throughout the year. It is reviewed and updated at each committee meeting.

### North Devon Council Reports and updates:

Dates of forthcoming meetings:	8 Jun 2021	27 Sep 2021	16 Nov 2021	4 Jan 2022	8 Mar 2022
Review of the Committee's Terms of Reference (TB)					Report Due
Annual Review of the Committee's effectiveness (JT)	Report Due				Report Due
Half Yearly Report from the Chair of the Governance Committee (KJ).		Report Due Sept each year			Report Due March each year
Annual Governance Statement		Report Due			
Statement of Accounts	Report Due				
Letter of Representation (JT)		Report Due			
Compensation payments made under delegated powers. (CH)	Report Due				
Part B: Corporate Risk Register (SH)		Report Due			Report Due

Dates of forthcoming meetings:	<b>8 Jun 2021</b>	<b>27 Sep 2021</b>	<b>16 Nov 2021</b>	<b>4 Jan 2022</b>	<b>8 Mar 2022</b>
Major changes to Accounting Policies Management procedures to be reported by the Head of Resources					Report Due
Update on Governance Arrangements				Report Due	
Update on Business Continuity				Report Due	
Audit Recommendation Tracker	Report Due	Report Due	Report Due	Report Due	Report Due
Work Programme	Report Due	Report Due	Report Due	Report Due	Report Due

**Internal Audit Agenda Items:**

Dates of forthcoming meetings:	<b>8 Jun 2021</b>	<b>27 Sep 2021</b>	<b>16 Nov 2021</b>	<b>4 Jan 2022</b>	<b>8 Mar 2022</b>
Internal Audit Annual report	Report Due				
Internal Audit Strategy and Plan					Report Due
Internal Audit Charter					March each year
Internal Audit Progress Report	Report Due	Report Due	Report Due	Report Due	Report Due

**External Audit Items:**

Dates of forthcoming meetings:	<b>8 Jun 2021</b>	<b>29 Sep 2021</b>	<b>16 Nov 2021</b>	<b>4 Jan 2022</b>	<b>8 Mar 2022</b>
External Audit - Fee Letter					
External Audit - Findings Report		Report Due			
External Audit - Annual Audit Report (*previously Letter)			Report Due		
External Audit - Plan	Report Due				Report Due
External Audit - Progress Report and Sector Update	Report Due	Report Due	Report Due	Report Due	Report Due

Updated 23/2/21

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A  
of the Local Government Act 1972.

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