

Internal Audit

Progress Report 2023-24

**North Devon Council  
Governance Committee**

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## Introduction

The Governance Committee, under its Terms of Reference contained in North Devon 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 2023-24 was presented and approved by the Governance Committee in March 2023. 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.

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- 1 – Summary of Audit Results

**Overall, based on work performed during 2023/24 and our experience from the current year progress and previous years’ audit, the Head of Internal Audit’s Opinion is of “Reasonable Assurance” on the adequacy and effectiveness of the internal control framework.**

## Opinion Statement

*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

### Risk Based Audits

We provide a Substantial Assurance related to management of the Green Lanes Shopping Centre. We consider the council has good arrangements to mitigate risk in this area.

We provide a Reasonable Assurance on Homelessness as the council is meeting its legal obligations whilst taking appropriate action to reduce the financial impact.

We have issued a draft report for consideration on Partnership Management. There are no formal requirements related to partnerships, but it is good practice for the council to understand its partners and the costs and benefits it is securing. The report suggests the council has a Partnership Policy and Register to identify the councils’ key partners and how it is supporting them. We have provided a draft Partnership Register for officers to develop. As it applies to governance, members may wish to comment on this area within this committee meeting.

Appendix 1 to this report provides more detail on the audits delivered since the last Committee meeting with the overall assurance opinion and recommendations. 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.

### Counter Fraud Work

We continue to support the good work being undertaken by management to produce Service specific fraud risk registers to enable consideration of controls to mitigate fraud and error risks. We also intend to undertake a Fraud Risk Assessment in the next few months which we will present to Governance Committee.

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

Devon County Council has agreed to fund an exercise to review the Council Tax Single Person Discounts claimed by individuals. We are waiting for North Devon to agree to take part.

### **Recruitment of Independent Members**

DAP is to undertake a campaign to recruit “Independent” members to partners Audit Committees. These would be non-voting members and have local authority and finance experience and knowledge to help improve scrutiny and insight.

### **DAP Member event – 16 Nov 23**

DAP is sponsoring a free half day event for Audit Committee members on 16 Nov 23. This will be a morning session at Buckfast Abbey, with a buffet lunch.

### **Value Added**

It is important that the internal audit service seeks to "add value" whenever it can. We consider 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 when needed to provide real time assurance, such as on the cost-of-living crisis.
- Comparing and contrasting controls across the different Devon Councils that we support.

### **Audit Coverage and Performance Against Plan**

We have made slow progress to deliver the 2023-24 audit plan but will be increasing pace of our delivery for the rest of the year. Currently, we expect to meet our performance target of 90% of audits completed by the year end.

We are currently undertaking work on Performance Management and Debt Management (and North Devon Plus in conjunction with Torrington council).

### **Key performance indicators**

We report delivery against our performance indicators in our annual report. Progress to implement our audit recommendations are monitored and managed by the Authority.

### **Customer Satisfaction**

We received the following satisfaction returns relating to our audits over the year:

Audit	Marking
Cemeteries	Very Satisfied
Equality and Diversity	Very Satisfied
Customer Service Centre	Satisfied
Parking Operations	Very Satisfied
Programme Management Office	Very Satisfied
Tarka Leisure Centre	Very Satisfied
Debtors	Very Satisfied
Safeguarding	Very Satisfied
Health and Safety	Satisfied
Security	Very Satisfied
Climate Change	Satisfied

## Appendix 1 – Summary of audit reports and findings for 2023-24

Audit and Assurance Opinion	Summary, risk exposure and agreed management actions
<b>Town Centre Management</b>  <b>Substantial Assurance</b>	<p>The council has made good progress to introduce effective management arrangements over the new Town Centre asset since it was bought. The financial return received has been in line with that forecasted in the business case, resulting in a net return of £291k for 2022/23. The council is also allocating a good level of reserves to deal with any future issues such as revenue shortfalls, for instance £320k at March 2023.</p> <p>There is an effective relationship with Praxis which is the current contractor. Praxis is engaged and focused on stabilisation of the asset following lack of attention from the previous owners. This includes progressing important capital repair and renovation work inherited on purchase of the centre. The company has a good portfolio of similar town centres it is currently managing, providing confidence this is a core area for them.</p> <p>The current contracts to manage Green Lanes are currently being re-procured which will result in a single contract from December 2023 at which point there can be greater focus by the contractor on medium- and longer-term objectives. We understand that bidding organisations will be asked to propose relevant performance measures to be monitored and reported to the council. This will address an imbalance where performance reporting has been financial orientated such as the level of income expected, and future maintenance costs rather than wider measures.</p> <p>The Barnstaple Vision was a significant part of the business case to purchase Green Lanes. Stabilising Green Lanes and providing jobs for residents is an important benefit achieved from buying the centre. However, it would be beneficial to show how Green Lanes contributes to the Barnstaple Vision and the other activities the council is supporting in the Town Centre. This includes providing current information on the council website about Green Lanes which is out of date. We note the External Audit Annual report of February 2022 recommended “The Council should make clear how it will measure progress towards the wider strategic and regeneration objectives discussed in its business case”. Given the beneficial impact the purchase is having on the local environment there is opportunity to do more to highlight the benefits and results from its work.</p> <p><b>We agreed one Medium and one Low priority recommendation.</b> The Medium recommendation related to highlighting the impact of Green Lanes on the wider regeneration and improvement activity for the Town.</p>

Audit and Assurance Opinion	Summary, risk exposure and agreed management actions
<p><b>Homelessness</b></p> <p><b>Reasonable Assurance</b></p>	<p>We consider that the Council provides good support for homeless people and refugees within the area. Many elements of the 'Preventing Homelessness and Rough Sleeping Strategy 2019 - 2024' have been taken forward. However, the current cost of living crisis and the arrival of refugees from other countries has impacted significantly on the work of the Housing team.</p> <p>The result has been a significant increase in Homelessness presentations over the last couple of years with a resultant financial impact on the Council (an additional £250k in 2022/23) as spending on temporary accommodation has significantly exceeded annual budgets. To reduce expensive spend on temporary Bed and Breakfast and private accommodation, the council is taking forward proposals to purchase properties to increase its housing stock from 11 to 20 units.</p> <p>Staff from other organisations (DCC Early Years, Pickwell Foundation, North Devon Against Domestic Abuse) mentioned the good and effective partnership working that takes place with the North Devon Housing team and other organisations invited to the weekly meeting held to discuss housing related issues. The wrap around service has reduced the risk of issues arising from accommodating Ukrainian refugees living with their host families in North Devon.</p> <p>The extent of formal briefing to members on the extent of this problem has been limited. The recent presentation to Strategy and Resources Committee members in February 2023 highlighted the problem and need to increase housing stock to reduce spend. The council also now needs to revisit its Homelessness Strategy and link it to the new Corporate Plan. As the area is subject to rapid changes, the council may consider it more appropriate to have a live plan or update report to capture current issues and measures being taken to address the homelessness problem, as opposed to a current strategy.</p> <p><b>We agreed two Medium priority recommendations</b>, to create a “live” Homeless strategy document and review the Housing policies shown on the councils’ website to ensure they are current.</p>
<p><b>Partnerships</b></p> <p><b>Draft Report issued:</b></p>	<p>The council has entered into partnerships and agreements with a disparate range of organisations to support its objectives. However, the council does not maintain a list of key partnerships, what they are intended to deliver and their costs and benefits. It also does not have a Partnership Policy or a definition of what a partnership is. This is not uncommon for councils, and it is not a legal or other requirement to have them, which is why we have provided a Reasonable Assurance. That said, it is good practice to have a Partnership policy and to periodically review the key partners the council supports and assess if costs and benefits support</p>

Audit and Assurance Opinion	Summary, risk exposure and agreed management actions
Reasonable Assurance	<p>continuance of arrangements.</p> <p>We reviewed the list of legal documents held by Legal, and the actual documents. The list appears to contain many of the partnerships we know of, although others may not be on the list and internal review is needed. Maintaining a central register of key partnerships would support analysis and review on questions such as whether they are adding value, if the council is supporting them effectively, and the financial and other costs and benefits from the arrangement.</p> <p>We note North Devon+ is a private limited company owned by North Devon, and Torrridge. It has its own Articles of Association as a standalone company, but with Directors appointed by North Devon and Torrridge Councils. We are currently auditing this organisation as part of the Torrridge audit plan.</p> <p>The council has several partnerships that it leads on for other local authorities. There were appropriate governance arrangements via member committees for these including the NMDC Building Control, Crematorium Joint Committee, and Joint Planning Committee. For the first two committees, members considered performance, plans and financial outturn. Requirements for these were also outlined in the Constitution. We are due to audit these later in the year.</p> <p>In this work, we compiled a table with detail on the partnerships that we identified for officers to review and develop.</p> <p><b>We agreed one Medium priority recommendation</b>, to ensure formal review to confirm all legal documents are held. We also detailed Opportunities for the council to progress including holding a register of partnerships.</p>

