

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 view of current council governance and control, 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.

Substantial Assurance	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.
Reasonable Assurance	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.
Limited Assurance	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.
No Assurance	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 Audits

We provided a Substantial Assurance for our audit on Council Tax, noting the strong control framework in place.

We provided a Reasonable Assurance opinion for Debt Management. This is a good result; we previously gave two consecutive Limited assurance opinions. We are now content sufficient work is being undertaken to manage debt systematically.

Risk Based Audits

We provided a Reasonable Assurance for Performance Management, noting the improvements underway as part of its new Performance Management Framework. Further work is needed to be more open in reporting to the public, and ensuring performance is systematically managed, including producing and exploiting performance data.

We also revisited management of the Tarka Leisure Centre and confirmed there was an appropriate framework to monitor effective delivery of the contract measures.

Our follow up review on Equality and Diversity concluded that some weaknesses have been addressed to enable us now to provide a Reasonable Assurance. Further work is needed for the council to fully meet the Equality Duty including reporting on staff diversity.

For our Learning and Development audit, we confirmed there was a good range of learning and development including support to apprenticeships. Introduction of the i-Trent module on Learning in Dec 23 will support monitoring and management of all training and help ensure mandatory training is undertaken as required.

Finally, we undertook an audit of North Devon Plus, for North Devon and Torrington councils and concluded it was an effective vehicle to promote the economy of the area.

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 will be 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. North Devon has agreed to undertake this activity in April 2024.

Recruitment of Independent Members

An advert for co-opted members has been placed in [Devon Jobs](#), and will be placed on other relevant websites. We anticipate having a pool of interested individuals for interview by mid-January 2024.

DAP Member event – 16 Nov 23

DAP delivered a half day event for Audit Committee members and officer on 16 Nov 23. Feedback on the event has been positive.

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

Currently, we expect to meet our performance target of 90% of audits completed by the year end.

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

The following details recent result of the satisfaction returns for our audits:

Audit	Marking
Council Tax	Very Satisfied
Debt Management	Very Satisfied
Performance Management	Very Satisfied
Cyber Security	Very Satisfied
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

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

Audit and Assurance Opinion	Summary, risk exposure and agreed management actions.
Council Tax and NDR Substantial Assurance	<p>We found a strong control framework with effective controls to mitigate against the risks identified to enabling us to continue to provide a Substantial Assurance.</p> <p>All necessary processes, procedures, precept information, reporting and approvals to set the council tax rate by the given date in February 2023 were undertaken within timescales. The production and subsequent issue of annual bills for 2023/24 took place by the scheduled dates which allowed collection of the first Direct Debit instalment by the laid down collection timetable. The NDR multipliers held upon the system matched those notified to councils by central government.</p> <p>Collection rates for Council Tax and NDR reported to Strategy & Resources Committee in July 2023 showed the percentage achieved for the 2022/23 financial year (Council Tax 97.23%, NDR 97.05%) slightly higher for Council Tax and slightly lower for NDR than those in 2021/22 (Council Tax 96.87%, NDR 97.46%). The latest report taken to Strategy & Resources Committee on 6 November 2023 shows collection levels achieved as of 30 Sept 23 of Council Tax 55.26% and NDR 58.38% (corresponding figures for 30 Sept 22 were 55.80% and 59.61% respectively), which indicates collection rates continue to be maintained.</p> <p>The 2022/23 financial year end showed outstanding totals for Council Tax of £3.73m, and £0.58m for Business Rates. This figure was £440k higher than the figure at the previous financial year end; whilst outstanding Business Rates were £97k lower. A report by the Assistant Revenues Manager (Billing & Collection) of all council tax accounts with a balance more than £5k showed appropriate recovery action / process was being undertaken against each entry.</p> <p>Our audit last year identified resource issues to address data matches identified in the National Fraud Indicator report. Work is now being undertaken to deal with those data matches in the NFI data matching 'Report 601 Council Tax to Electoral Register'. Dedicated staffing resource has been allocated to investigate and action each data match. The 'CIPFA 2020 Fraud and Corruption Tracker' concluded Single Person Discount (SPD) is the second fastest growing fraud area for local authorities after housing fraud. Changes in council tax liability resulting from investigation of individual data matches are actioned. Further work is scheduled for 2024/25 when a Devon County Council sponsored exercise provided by Liberata will take place; the results of this work at a different Devon district council saw an annual increase of £150k in council tax charges.</p> <p>Prompt action takes place to notify charge-payers / relevant third parties of credit balances upon accounts</p>

	<p>leading to refund of the balance. North Devon currently has approx. £177k in credits (for 1077 accounts) which it has not yet been able to return to taxpayers. This compared to £128k in Aug 2022. Many of these relate to deceased individuals and recent payments in 2023.</p> <p>We did not make any management actions.</p>
<p>Debt Management</p> <p>Reasonable Assurance</p>	<p>We are content that improvements have been made to enable us to improve our assurance opinion from Limited to Reasonable. The debt held by the council at £1.324m in September 2023 compares to £2.57m in September 2022, and £1.914m in September 2021. A Process Mapping' review is also being undertaken by the Service Improvement Officer which will identify further improvements in the debt recovery process.</p> <p>There has been an increased focus on Housing Deposit cases, which has reduced debt from £222k in July 2021, to £91k in August 2023. Review of individual cases indicate arrangements to pay being made and kept, court action being undertaken, and irrecoverable debts being written off. The Head of Governance mentioned more recovery action taking place than ever before with the Legal team through the benefit of increased capacity now able to undertake the necessary court related processes.</p> <p>Other Service areas have also seen significant debt reductions: Legal Services -£54k; Estates -£12k; Planning -£8k. The March 2023 and September 2023 total debt figures represent the lowest and fifth lowest quarterly totals in the eighteen quarters since June 2019.</p> <p>There is also increased emphasis on writing off unrecoverable debt. The value of debtor invoices written off in the 2022/23 financial year in the sum of £150k was more than double the value written off in 2021/22 (£74k); a figure which itself was £20k higher than that written off in 2020/21. Whilst one debtor account in the sum of £37,979.83 was written off in the 2022/23 financial year a significant number of debtor account with a range of values were also written off.</p> <p>We agreed two Medium and one Low Priority management actions.</p>
<p>Performance Management</p> <p>Reasonable Assurance</p>	<p>The basic elements of performance management are in place and the council is implementing further improvements. A new framework has been created detailing how the council intends to structure performance management.</p> <p>The council is currently reviewing the corporate priorities and asking members for their views on performance. The new administration is currently involved in discussions on the corporate priorities to form the new Corporate Plan for 2024-28. When the priorities are decided upon, work will be needed to review current performance measures and indicators. Key Results and Reportable Key Performance Indicators were recently reviewed and rationalised, and member input is being sought on the measures they want. Quarterly reports to Strategy and Resources and the Council now includes performance measures related to the programmes, and</p>

key results and reportable key performance information. Pentana is used to help monitor and report performance. There is also a process to report on programme and project delivery. Finally, a new system of performance appraisal including regular check ins and progress on objectives was introduced in April 2023.

We provided these priority areas for consideration:

- Provide more accessible performance reports to the public on how the council is delivering, including on the website and in standalone reports.
- Integrate Performance, Finance, Risk and Opportunity elements into core council papers.
- Ensure “business as usual” service performance is considered by Senior Management Team.
- Consider how to exploit the performance data held on Pentana, including through dashboards and Power BI reports.
- Include financial performance objectives in officer performance objectives.

We agreed five Medium Priority management actions.

Tarka Leisure Centre – Follow Up

Reasonable Assurance

Our previous audit report of the Tarka Leisure Centre in December 2020 looked at progress on the build phase and resulted in a Reasonable Assurance level overall. We have reviewed the outstanding recommendations and confirm action has been taken in most cases. The contract establishes a good range of metrics that can be used for monitoring and reporting. Practical arrangements for these monitoring activities are actively being established and introduced. However, it will take until late summer 2023, after the completion of the snagging/defects period, for the new monitoring arrangements, particularly those relating to maintenance, to become embedded and be considered business as usual.

The build phase is now largely complete, with only the defects period currently remaining until June 2023. Based on the coordinated snagging/defects list, good progress seems to be being made on the issues. However, there are still over 100 that need to be addressed, some potentially more significant than others.

The service/operational elements of the contract have been underway since June 2022. The contract documents include a range of performance and reporting requirements designed to offer assurance that the facility is achieving its objectives. Reporting and monitoring activities are still being embedded and will remain the case for several months. Some compliance data has already been provided by Parkwood to the Contract Monitoring Officer, and an initial monitoring meeting has taken place to lay the groundwork for future meetings. Based on initial financial reports, Parkwood Leisure appeared to be operating at a significant loss during the first few months of trading, due in large part to energy costs. Supplier resilience will require close monitoring.

Similarly, the maintenance elements of the contract are in their very early stages and will not come into full effect until after the snagging/defects period has ended.

There is evidence of some maintenance related activities, such as statutory inspections and fire risk assessments. Copies of these have already been provided to the Contract Monitoring Officer and were seen during our site visit.

Parkwood Leisure have also put together various plans such as a Sports Development Plan, Marketing Plan, and annual Maintenance Plans, which have also been provided to the Council for monitoring and review.

We did not make any additional management actions but confirm action has been taken on those previously agreed.

Equality and Diversity - Follow Up

We assess the council has undertaken sufficient work to allow us to uprate this from a Limited to a Reasonable Assurance Opinion. This includes provision of more information on the local population, and introduction of an i-Trent module to help ensure officers receive periodic E&D training. Some additional work is needed to obtain staff information related to Protected Characteristics, and to update the website for current HR policies. Our assessment of implementation against the audit recommendations is as follows:

Reasonable Assurance

Fully Implemented

Completion of mandatory E&D training for all.

Many different E&D relevant courses are being provided. The introduction of the i-Trent module in December 2023 will support monitoring of training undertaken by all officers of the required mandatory training.

Completion of refresher training on E&D and Unconscious bias for those engaged in recruitment activities.

E&D training is provided to officers and i-Trent will support management of this requirement. Our Learning and Development audit identifies that clarity is needed on the mandatory refresher E&D training officers required to ensure refresher training is completed.

Identify the reasons for officer departures.

All leavers are asked to attend an exit interview or complete a leaver form and a report on the reason for departure is periodically submitted to SMT for review.

Partially Implemented

Compliance to the Equality Duty and comparison of staff protected characteristics to the local population.

While additional staff and public information is provided, full details across the range of protected characteristics have not yet been provided to allow comparison to the local population and assessment of how diverse the workforce is.

Conformation that all relevant HR policies have been recently reviewed:

	<p>Some policies have been updated, and others are being reviewed. Work is needed to update the website and attach new policies and delete other documents.</p> <p>We did not agree any further additional management actions.</p>
<p>Learning and Development</p> <p>Reasonable Assurance</p>	<p>The council places a high priority on staff learning and development, and provide a wide range of training courses, apprenticeships, and further education.</p> <p>A Learning and Development Policy has been drafted and details how learning and development is managed. We have suggested changes to the policy; including arrangements to manage training through the new i-Trent module on Learning.</p> <p>The new I-Trent module will help provide reports on current and planned training for analysis to support regular reports on L&D to Senior Management Team. Specific budgets for L&D are held each year; compared to a budget of £55k, spend is expected to be circa £28k in 2023/24. In addition, there is annual spend of approximately £40k on apprenticeships funded from the levy.</p> <p>Officers undertake appropriate induction training with an induction form signed by the officer and manager. Completion of this form is monitored by HR and forms part of successful completion of the Probation Period. The training includes a good range of mandatory training for completion between the 1st day of work to the 3rd month of work.</p> <p>The council provides a good range of training events and courses, in recent years it has included events on current issues and concerns ranging from cost-of-living crisis to mental health and men specific concerns. This includes in person training and awareness sessions. Alongside the wide range of training, officers also need to periodically complete refresher training on core mandatory elements such as Health and Safety, and the Data Protection Act. We have suggested clarity is required on the mandatory training required to support effective monitoring.</p> <p>In December 2023 the council will transition to officers using the I-Trent Learning module which provides the functionality for officers to request and managers to approve specific training. Reports will be available to show details of the L&D activity across the council, and at an officer level. This will help monitor training attendance, such as identifying officers who have not completed their mandatory training.</p> <p>With reference to IT and Cyber training, officers are required to complete a good range of IT courses provided by Boxphish. Training attendance is monitored and reported by Boxphish. Non completion of this training is reported to Senior Management Team which has decided on various measures to prompt officers to attend the training. Specific training is also supplemented by Phishing simulations sent to users via Box Phish which include various schemes to entice officers to click on, such as free Amazon gift Cards. Some officers have</p>

accessed these links, but the current assessment is that the number is quite low.

The council is sponsoring a good range of further education and apprenticeships. Spend on apprenticeships is monitored and managed to ensure utilisation of most of the spend from the apprenticeship levy on apprenticeship training. It is currently spending about £3.5k out of the £4k a month that is provided in the levy.

We agreed three Medium and two Low priority management actions.

North Devon Plus

Reasonable Assurance

North Devon Plus is an effective vehicle to promote the economy of the area by obtaining and managing grants from various bodies. We consider it a good example of a collaborative partnership between North Devon and Torridge councils to deliver goals. There is a Board as per the Articles of Association to review company delivery and financial performance. The company has a Business Plan for 2022-24 outlining its priorities. The company is well supported, with the Head of Councils as Board members and the two Co-Chief Executives are senior NDC and TDC officers. There is also private sector representation provided by the Chair and three directors. That said, we note the Board could be more diverse.

The company has its accounts audited and saved on Companies House. Company costs are largely for personnel support including pension and other staff costs. Aside from a small £20k grant from each council, income is grant monies secured from public bodies to manage schemes or to provide consultancy and awareness training. Papers detail the income level and future grant funding required to break even. The company is reasonably covered with grant revenue until April 2025.

Officers displayed a good awareness of the significant risks, mainly related to the loss of key company personnel, and the ability to secure future grant funding which constitutes the bulk of its income source. In relation to that risk, there should be consideration of whether sufficient priority is being given to securing other funding sources or exploiting its impact through partnerships.

In terms of financial stability, the company had a Fund figure of £318k on 31 March 2023. Annual profits have been recorded for many years. Most of the company costs relate to the employment of staff. It relies on the continued awarding and receipt of grants to administer and fund activities to support commercial organisations. A Reserves policy has been recently agreed to ensure sufficient funds are held to enable closure of the company without impact on either council. We have suggested clarity on the actual reserve figure, so it is set aside and periodically reviewed.

The company has been successful in securing grant funding for many years, which is indicative of its success. It has also covered its costs and make consistent profits for many years. There are regular briefings to council members on the company and how it supports the economic and business activities in the area. Presentations to members detail the impacts arising from company activity, for instance supporting 4,000 small businesses since 2015, and setting up, managing, and delivering funding of more than £11m to local businesses. The

business plan details the key priorities in supporting Agriculture, Tourism, and Small and Medium sized Enterprises. We have suggested a mid-point review of the plan to confirm priorities are still correct and whether they are being achieved.

We discussed the company with the Torridge and North Devon Economic Development Managers. They highlighted its important role in supporting economic development in the area enabled by good company area knowledge, and of different sectors such as agriculture. They considered the company promotes cross council (Torridge and North Devon) collaboration, bringing lead council members and officers together in managing the company while considering the wider needs of the area.

The company has many policies which are up to date and are consistent with it being a public body owned by the councils, albeit also a private company. We identified minor work needed from review of these policies.

We agreed two Medium and one Low priority management action.