

South Hams Audit and Governance Committee



Title:	Agenda
Date:	Thursday, 14th December, 2023
Time:	9.30 am
Venue:	Council Chamber - Follaton House
Full Members:	<p style="text-align: center;">Chairman Cllr Bonham Vice Chairman Cllr Nix</p> <p><i>Members:</i> Cllr Dennis Cllr Presswell Cllr Hancock Cllr Rake Cllr Oram Cllr Yardy</p>
Interests – Declaration and Restriction on Participation:	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
Committee administrator:	Democratic.Services@swdevon.gov.uk

1. Minutes	1 - 6
To approve as a correct record the minutes of the Audit Committee held on 28 September 2023	
2. Urgent Business	
Brought forward at the discretion of the Chairman;	
3. Division of Agenda	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
4. Declarations of Interest	
In accordance with the Code of Conduct, Members are invited to declare any Disclosable Pecuniary Interests, Other Registerable Interests and Non-Registerable Interests including the nature and extent of such interests they may have in any items to be considered at this meeting;	
5. Grant Thornton Interim Auditor's Annual Report - combined reporting for 2021-22 and 2022-23	7 - 36
6. Grant Thornton - External Audit Plan for 2022/23	37 - 60
7. Update on the 2023-24 Internal Audit Plan, and Charter and Strategy	61 - 104
8. Summary Accounts 2022/2023 (Draft, Unaudited)	105 - 112
9. Treasury Management Mid-Year Review	113 - 128
10. Strategic Risk Update and Framework	129 - 154
11. Anti-Fraud, Bribery and Corruption (Policy and Response Plan), Counter Fraud Resilience and Assessment Report and Whistleblowing Policy	155 - 194
12. Local Government Ombudsman - Annual Review Letter	195 - 202
13. Totnes Market - Verbal Update from Deputy Chief Executive	

- | | | |
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| 14. | St Ann's Chapel and Housing Offer Task and Finish Group:
Draft Terms of Reference | 203 - 204 |
| 15. | Proposed Workplan for the Audit & Governance Committee
for the 2023/24 Municipal Year | 205 - 206 |

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**MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE
HELD IN THE COUNCIL CHAMBER, FOLLATON HOUSE, PLYMOUTH ROAD,
TOTNES ON THURSDAY, 28 SEPTEMBER 2023**

Members in attendance			
* Denotes attendance			
Ø Denotes apology for absence			
*	Cllr L Bonham (Chairman)	*	Cllr C Oram
*	Cllr S Dennis	*	Cllr A Presswell
*	Cllr D Hancock	*	Cllr S Rake
*	Cllr A Nix (Vice-Chairman)	Ø	Cllr G Yardy

Member(s) also in attendance:
Cllrs Abbott, Brazil, Hopwood, Pannell and Thomas

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Section 151 Officer; Director – Strategy & Governance; Head of Finance; Senior Democratic Services Officer; Internal Audit Manager; Grant Thornton – Key Audit Manager

AG.14/23 MINUTES

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

Reference was made to Totnes Market, Kingsbridge Market and Dartmouth Market to be included as part of the Audit Report.

AG.15/23 DECLARATIONS OF INTEREST

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but there were none made.

AG.16/23 GRANT THORNTON (EXTERNAL AUDIT) REPORT

The Committee considered a paper from Grant Thornton that provided a progress update on delivering their responsibilities as the Council’s External Auditors.

In discussion, particular reference was made to:

- (a) Backlog of auditing of accounts across local government and it was reported they were on track to review the SHDC accounts in November and report back to Committee in March 2024; This revised earlier timescale was welcomed by the Chairman.
- (b) The introduction of statutory deadlines for accounts and audits or “backstop” requires legislative changes and would come into effect end of September 2024. Grant Thornton confirmed that previous

years' audits had all been signed off for South Hams with unqualified audit opinions and therefore there would be no backstop arrangements in South Hams (and previous years' audits would not be qualified as there is no backlog of Accounts to be signed off in South Hams).

It was then:

RESOLVED

That the contents of the Grant Thornton (External Audit) Report be noted.

AG.17/23

UPDATE ON THE 2023-24 INTERNAL AUDIT REPORT AND INTERNAL AUDIT CHARTER AND STRATEGY

The Leader presented a report which sought to provide Members of the principal activities and findings of the Council's Internal Audit Team.

It was highlighted that the Internal Audit Charter and Strategy were not included in the agenda pack and would be re-submitted at the next meeting.

In discussion, particular reference was made to:

- (a) The grant scheme related to the £150 energy rebate support for residents and undertook a post payment assurance on our procedures;
- (b) They were aware of the issues with the contractor at the Batson Development but would need to investigate this further to provide more detail;
- (c) Devon Building Control Partnership (DBCP) have been made aware that there was no process in place to make a complaint or comment;
- (d) Food Standards backlog following post covid and staff focussed on other areas of work. An additional officer recruited, and further officer trained to address the high-risk food premises by the end of this financial year and was supported by the FSA;
- (e) The higher insurance was predominately related to bringing the waste service back in-house. The claims mainly related to the waste vehicles and SHDC also has responsibility for the harbour and higher level of assets and buildings than WDBC. They were looking to renew the current arrangements in December and would be undertaking a fuller retender in the summer. Also looking at cyber insurance cover which was extremely expensive or to self-insure;
- (f) Regarding travel claims, the employee has to self-certify and attach a petrol VAT receipt – further checking of whether a receipt has been attached to every claim;
- (g) Members have direct access to the internal audit team – The Leader highlighted a specific change on a S106 agreement which he felt was of concern. Changes will be made to the process and the constitution is already being looked at.

It was then:

RESOLVED

Progress made against the 2023/24 internal audit plan, and any key issues arising are noted and approved.

It was **PROPOSED** and **SECONDED** and when put to the vote was declared **CARRIED** that:

The Committee request Internal Audit to investigate the processes around S106, in particular to review the delegated authority and to provide recommendations.

AG.18/23 **INTERNAL AUDIT RECOMMENDATIONS TRACKER**

Members considered a report that sets out the update on progress against Internal Audit recommendations since 2021.

In discussion, it was raised whether any consideration would be made into writing off the 38 recommendations in progress from 2021? It was reported that this Committee would be asked to agree an extension or challenge officers on the status of these recommendations. A report in 6 months to include the reduced number of higher risks and older risks that were either implemented and following a further audit could become redundant and therefore removed.

It was then:

RESOLVED

The Audit and Governance Committee noted the progress against implementation of Internal Audit Recommendations as set out in this report, and

Internal Audit Recommendations Tracker Report to be brought to the Committee in March 2024, which should exclude older risks that have been superseded or resolved by subsequent action, but should include a target completion date where actions have not been started or are in progress and late.

AG.19/23 **FREEMPORT TASK AND FINISH GROUP**

The Chair reported that two meetings had taken place and a further meeting for officers and members of task and finish to provide feedback on the draft report. The report would go to the Executive on 30th November.

AG.20/23 **ANNUAL TREASURY MANAGEMENT REPORT 2022/23**

Members considered a report that set out the Council's annual Treasury Management performance for 2022/23. In addition, the report sought approval of the actual 2022/23 prudential and treasury indicators.

In discussion, Members sought reassurance that investments supported

the council's priorities and the importance of attending the Treasury Management training. It was also highlighted that the treasury management strategy is considered first by the Audit and Governance Committee, who make a recommendation to Full Council.

It was then:

RESOLVED

That the Audit Committee:

1. Approved the actual 2022/23 prudential and treasury indicators in this report.
2. Noted the Annual Treasury Management report for 2022/2023 and the additional investment income generated in the year of £1.02m as shown in 1.1.

AG.21.23 SUNDRY DEBT

Consideration was given to a report that provided Members with an update of the position with regard to Sundry Debt.

In discussion, a Member raised the debt outlined in agenda item 8 and it was highlighted that this related to Sundry Debt only. The Committee requested that Members receive a report on overall debt levels.

It was then:

RESOLVED

That the position in relation to Sundry Debt be noted and that Members receive a report on overall debt levels in due course.

AG.22.23 BUILDING MAINTENANCE PROGRESS UPDATE

Lead Executive Member for Community Services, Operations and Leisure introduced the report which provided an overview of the key actions being undertaken to address the areas of concern highlighted in the previous internal audit reports.

In discussion, the following points were raised:

- (a) The team were working on the Estate Management IT system (Concerto) to make it more accessible for all Members;
- (b) Not all bins and memorial benches have been mapped;
- (c) That a training session be arranged for Members;
- (d) Internal audit follow up work would be deferred until work completed in quarter 1 next year.
- (e) The Leader stated the need for an Asset Management Plan to be considered by the Executive, as highlighted by previous internal audit reports.

It was then:

RESOLVED

That the Audit and Governance Committee:

1. Noted the work being undertaken to address the Audit reports.
2. Agreed to defer the follow up audit from 2023-24 to Quarter 1 of 2024/25 to allow this work to complete.

AG.23.23 **AUDIT COMMITTEE WORKPLAN AND DATES OF FUTURE MEETINGS**

Members were presented with the latest version of the Committee Work Programme and noted its contents.

In discussion, particular reference was made to:

- (a) Treasury Management agenda items to be moved to March to allow Members to attend the Treasury Management Training;
- (b) Freeport Task and Finish Terms of Reference to be amended to reflect the report to go direct to the Executive on 30 November 2023;
- (c) Terms of Reference for the St Anns Chapel Task and Finish Group to be agreed at the December Meeting for work to start in January onwards. Cllr Hancock, Cllr Nix, Cllr Oram and Cllr Presswell offered to be on the Task and Finish Group, with Cllr Hancock taking the lead.

It was then:

RESOLVED

That the Committee Workplan 2023/24 (as set out within the published agenda papers) be updated to include:

- A verbal update on Totnes Market – December;
- Internal Audit Charter and Strategy – December;
- Move Treasury Management agenda items to the March meeting;
- St Anns Chapel Terms of Reference – December;
- Informal meeting to review the format of the Annual Statement of Accounts – January; and
- December and March meetings moved and would now take place on 14 December 2023 and to 28 March 2024.

AG.24.23 **INVESTMENT PROPERTIES – UPDATE AND MONITORING REPORT**

The Committee was provided with the financial information in respect of the Investment Property portfolio to date.

In discussion, the following points were raised:

- (a) Any investment made would be agreed by Members at Full Council;
- (b) The strategy that supports this report would be helpful for Members as a background document – to be attached in future reports as an Appendix;

It was then:

RESOLVED

That the Committee note the 31 March 2023 valuation figures of the Council's two Investment Properties and the rental income being received.

(Meeting commenced at 9:30 am and concluded at 12.36 pm)

Chairman

Interim Auditor's Annual Report on South Hams District Council

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2021/22 and 2022/23

December 2023

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

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



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

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Executive summary












Value for money arrangements and key recommendation(s)

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

Auditors are required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO have issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 because a separate 2021/22 report had not yet been issued. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

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Criteria	Risk assessment	2021/22 Auditor Judgment	2022/23 Auditor Judgment
Financial sustainability	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified
Governance	No risks of significant weakness identified	 No significant weaknesses in arrangements identified, but two improvement recommendations were made	 No significant weaknesses in arrangements identified, but two improvement recommendations have been made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	 No significant weaknesses in arrangements identified	 No significant weaknesses in arrangements identified

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

Executive summary



Financial sustainability

South Hams District Council (the Council) continues to perform well with regard to financial sustainability, with a record of stable financial and budgetary management. Despite the challenging environment in which it continued to operate in during 2021/22 and 2022/23, the Council has achieved a balanced budget. Our work has not identified any significant weaknesses in arrangements to secure financial stability.

Further details can be seen on pages 7 to 10 of this report.



Governance

Our review of the governance arrangements has not identified any significant weaknesses in arrangements or the need for key recommendations in relation to governance. We have identified opportunities to further enhance the Council's governance arrangements with regard to stakeholder engagement and procurement controls.

Further details can be seen on pages 11 to 17 of this report.



Improving economy, efficiency and effectiveness

The Council has demonstrated an appropriate understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements, we have made one improvement recommendation.

Further details can be seen on pages 18 to 21 of this report.



2021/22

We have completed our audit of your financial statements and issued an unqualified audit opinion on 31 March 2023. The opinion was delayed past the statutory deadline of 30 November 2022 due to a national accounting issue affecting all Local Authorities with significant infrastructure assets, which was resolved following updated legislation which was issued after 30 November 2022. Our findings are set out in further detail on page 25.

2022/23

We have not yet completed our audit of your financial statements. We will report our findings to the Audit and Governance Committee once our audit work is concluded.



Use of auditor's powers

We bring the following matters to your attention:

	2021/22	2022/23
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly</p>	We did not issue any statutory recommendations.	We did not issue any statutory recommendations.
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	We did not issue a public interest report.	We did not issue a public interest report.
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	We did not apply to the Court.	We did not apply to the Court.
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none"> is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or is about to enter an item of account, the entry of which is unlawful. 	We did not issue any advisory notices.	We did not issue any advisory notices.
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	We did not apply for judicial review.	We did not apply for judicial review.

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

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

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

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

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



Financial Sustainability

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



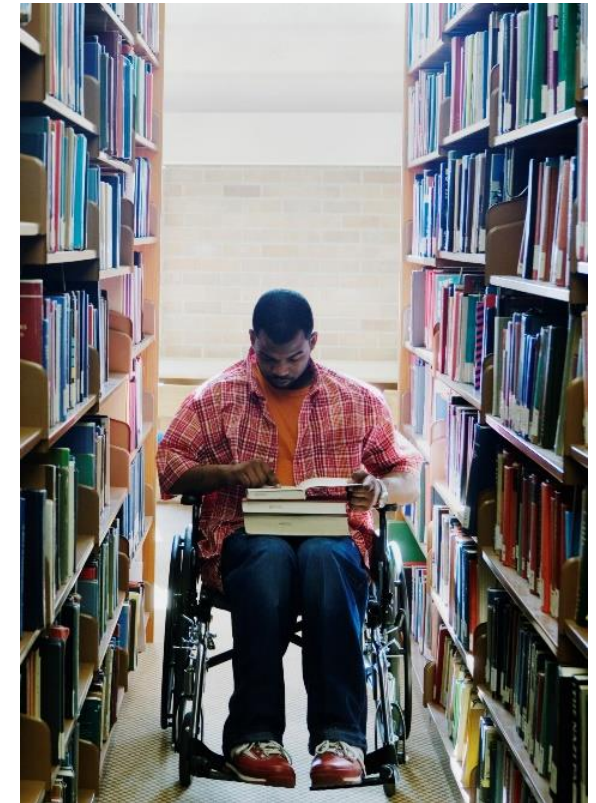
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 7 to 21. Further detail on how we approached our work is included in Appendix B.

Financial sustainability



We considered how the Council:

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

The Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans

Financial outturn

The Council has a track record of achieving financial balance and this continued in the period under review, with the 2021/22 revenue outturn reporting a surplus of £214k with actual spend 2.2% less than the budget and 2022/23 outturn highlighting an underspend of £57k (0.5% of the net budget of £10.464m).

The Council's financial planning for 2021/22 and 2022/23 followed the agreed framework and began with its updated five-year Medium Term Financial Strategy (MTFS) each September. The MTFS is based on the previous year's budget and is updated considering the previous year's outturn and any changes in service provision. The annual budget is based upon the first year within the MTFS. A sensitivity analysis accompanied the 2021/22 and 2022/23 budgets to highlight the impact of potential changes to assumptions; for example the 2022/23 budget sensitivity and risks analysis identified a potential total adverse revenue effect for 2022/23 of £1.38m, noting that the Council's revenue reserves are recommended to be maintained at a minimum of £1.5m. This allows decision makers and public to truly understand the financial plans and potential risk to their delivery.

The MTFS was discussed and agreed by the Extended Leadership Team, before the Senior Leadership Team and prior to approval by the Executive and finally the Full Council, allowing sufficient challenge and debate of the proposals.

The 2021/22 budget (agreed by Council February 2021) highlighted an inflation assumption inflation at 1% over the five-year MTFS period, which was in accordance with CPI rates and forecasts at the time of budget setting. Within the financial year, the economic environment changed significantly, however our consideration of this assumption and the others that underpin the 2021/22 and 2022/23 budgets were that they were reasonable at the time they were set.

As previously noted, the Council achieved a revenue budget surplus in both years which provides assurance that in-year monitoring and action was robust, and our review of 2021/22 and 2022/23 regular budget performance highlighted on-going performance (and risks to delivery of the budget assumptions, including inflationary impacts) is adequately included as part of regular update reports.

The Council plans to bridge its funding gaps and identifies achievable savings.

The MTFS details a cumulative aggregated budget gap by 2025/26 that is forecast to be £3.9m (February 2021 Council report) if no action were taken in each year to close this.

The Local Government Finance Settlement provided some longer-term certainty on key Government finance sources during the period, and the budget documents identified relevant budget pressures each year. The pressures were clearly identified and related to areas such as inflation, pay award pressures and additional waste service costs, all of which appear to be reasonable.

Our review identified the budget setting process involves the extended leadership team identifying potential savings and discussing these savings with members, through interactive workshops. Review of the 2022/23 outturn report for the revenue budget submitted to Executive in September 2023 highlighted savings schemes delivery of £636k compared to a target of £404k, this is mainly due to the additional employment estates rental income generated.

Table 1 over the page highlights savings delivery for the period 2020/21 to 2022/23. Delivery of savings more than target enables the Council to reduce any potential future budget gaps. The Council has met or exceeded planned savings in two out of the last three years which suggests that budget plans for savings are prudent.

Financial sustainability (cont.)

Financial Year	Savings/ Income target (£)	Savings/ income delivered at year end (£)	% delivered against budget
2020/21	904,877	550,990	61
2021/22	249,000	249,000	100
2022/23	404,000	636,000	157

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Savings are performance managed using the bi-monthly finance update to Council which highlights performance for individual savings schemes. Our review of the committee minutes highlighted that savings scheme performance is challenged as part of this review, and each update presented to the Executive includes the status of each savings scheme and management action in place to address known risks to delivery.

Our review of savings target delivery by the Council show delivery of savings target has improved over the period 2020/21 to 2022/23.

How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.

Whilst the Council's MTFS does not specifically identify statutory spend compared with discretionary spend, discussions with the Council's Section 151 Officer and other senior officers demonstrated the Council understand the costs associated with statutory and discretionary services. Our review of the MTFS also indicated the Council understands the cost of delivering core statutory services as distinct from discretionary areas of spend on the basis that all spend is directed towards the delivery of core services and achievement of Council Plan priorities. All investment and disinvestment is agreed as part of the budget setting process or by Full Council in year. Our review highlighted there is a coherent link between the Council Plan and the budget.

The Council's Treasury Management strategies for 2021/22 and 2022/23 included the capital strategy, the corporate governance arrangements for treasury management activities, any service objectives relating to the investments, the expected income, costs and resulting contribution, the debt related to the activity and the associated interest costs and the payback period - the Minimum Revenue Provision (MRP) policy.

How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning.

Capital project proposals reviewed by the Executive are considered and approved by the Full Council, with programme performance being monitored by the Executive quarterly.

The Executive considers how each proposal will help to deliver corporate priorities, savings and the revenue implications of the project (e.g. on-going maintenance costs).

Financial sustainability (cont.)

The Council's capital strategy sets out details of the Council's investment strategy, which includes multiple objectives, with capital bids assessed against the categories in each priority. Priority 1 categories include meeting strategic priorities and statutory obligations (e.g., Health and Safety, Disability Discrimination Act etc) and other capital works required to ensure the existing Council property assets remain open. Priority 2 categories link to good asset management whereby the capital work proposed would either generate capital/revenue income or reduce revenue spending.

The Council spent £3.99m (target expenditure £4.36m) on capital projects in 2021/22. The main areas of expenditure included the use of residential renovation grants including disabled facilities grants (£1.11m), Batson Harbour Depot/Commercial Units (£1.03m), scheduled replacement of plant, vehicles and marine infrastructure (£0.38m), Dartmouth Health and Wellbeing Hub (£0.35m). Delays in capital expenditure were primarily due to construction industry challenges and the availability of suppliers being affected by the challenges facing the construction industry.

The 2022/23 Capital programme outturn highlighted all projects were within the existing budget that had been approved by Members. The Council's capital expenditure amounted to £9.38m in 2022/23.

We consider the Council has financial plans in place which are consistent with capital investment planning.

How the body identifies and manages risks to financial resilience

Our work highlighted financial planning for 2021/22 and 2022/23 budgets included risk assessment and discussion and challenge by the Council was evident in finance papers submitted for approval.

Bi-monthly revenue and capital programme updates to the Council highlight key variances and actions in place to manage performance. Variances are explained in a commentary which includes details of reserves position and movements, and this allows Members to understand any emerging risks to the council's budget delivery.

Any transfers to and from reserves are highlighted as part of the Revenue and Capital outturn report. Chart 1 on page 10 illustrates 2021/22 General Fund and non-earmarked reserve as a proportion of service revenue expenditure in comparison to statistically nearest neighbours based on 2021/22 Revenue Outturn data. This chart demonstrates that the Council is in the mid-range of Councils and is not an outlier in terms of the level of reserves that it can draw upon, should they be needed.

The Council sets a minimum balance for Unearmarked Reserves of £1.5m, with an operating level of a minimum of £2m. This was based on a risk assessment and a sensitivity analysis. The current level of £2.13m at 31 March 2023 is therefore above these levels.

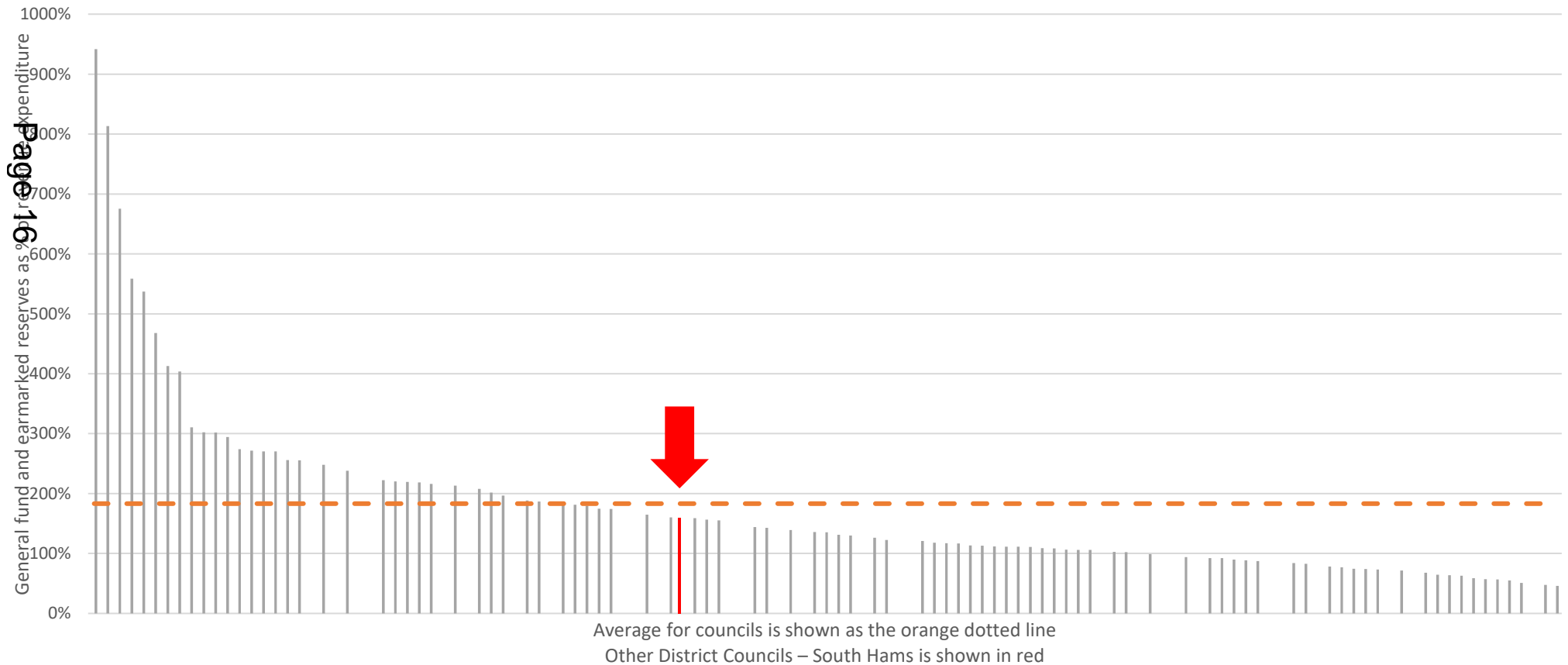
Conclusion

The Council has a track record of appropriate financial management and delivered an underspend (in 2021/22) of £214,000 and £57,000 in 2022/23, after considering central government funding. The Council understands the financial risks which it faced and managed these risks by maintaining the planned level of reserves.

In conclusion we have not identified any significant weaknesses in arrangements to ensure the Council manages risk to its financial sustainability.

Financial sustainability (cont.)

Chart 1 - 2021/22 General fund and non-schools earmarked general fund reserves as a percentage of net service revenue expenditure (%)



Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
 - ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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

The Council's approach to risk management is set out within the Annual Governance Statement (AGS) and within the reports taken to Audit & Governance Committee (AGC). The Council has a Risk and Opportunity Management Strategy which was adopted on 4 December 2018. The corporate risk register was refreshed in 2021/22 and risks are logged centrally and scored by each risk owner. SLT review the corporate risk register quarterly and updates are reported to members of the AGC on a biannual basis. In 2021/22 the strategic risk register was reviewed in July 2021 and December 2021, and for 2022/23 in September 2022 and March 2023.

The 2021/22 Audit Plan was impacted by the COVID-19 pandemic with one half of the Internal Audit resources assisting officers in the due diligence process related to the payment of various grants to businesses throughout the year. As well as completing audits that carried over from the 2020/21 plan, the remaining internal audit resources completed thirteen audits, with final reports issued. For five others, fieldwork was completed with draft reports issued as of June 2022. This represented the delivery of 78% of the audit plan (compared to delivery of 70% during 2020/21). Limited Assurance was provided for the following audits: Debtors 2021/22, Council Tax and Business Rates 2021/22, Estates Property & Rents Follow Up and Performance Management (Data Quality) Follow Up. Our review of the minutes of the AGC minutes demonstrated adequate reporting of action plans in place to address weaknesses that had been identified and progress of action plans was satisfactory.

The 2022/23 annual audit plan update, which was presented to the AGC in July 2023, highlighted delivery (final or draft report issued) of 92% of the plan agreed for 2022/23 by May 2023. As at May 2023, three limited assurance opinions were provided relating to the Building Maintenance Works scheduling, Markets and Procurement processes and all reported adequate action plans to address weaknesses were in place. Action plans to monitor management actions to improve the risks for each were regularly brought to the AGC.

Devon Audit Partnership provides internal audit, counter fraud and assurance services to the Council. In the AGS they reported no irregularities to report regarding the day-to-day operation of the Council. During 2021/22 there were twelve cases which related to COVID-19 grant applications, eight of which were identified as potential frauds before any payment was made. Of the remaining four cases, two are being investigated by the National Investigation Service and the Council has been supplying information to assist in these investigations. Recovery of payments in the other two is taking place. The March 2023 update to AGC highlighted there had not been any reported fraud issues in the year to date.

The Council has an anti-fraud, bribery and corruption policy which is overseen by the AGC and our review indicates there is adequate oversight in place. The Council has a range of policies to promote ethical behaviours amongst staff and members, including procurement, whistleblowing, counter fraud and anti-money laundering. The staff induction policy requires staff to read the employee code of conduct and confirm understanding of the policy.

Governance (cont.)

How the body approaches and carries out its annual budget setting process

The budget is agreed by Full Council in February of each year, and as already noted, a budget risk and sensitivity analysis is included within the Full Council papers. The 2022/23 budget was agreed by the Council in February 2022. The process began with the agreement of the MTFs, which set out the budget strategy for the next three years (2022/23 to 2024/25) in September 2021. The Council chose a three-year timeframe for its MTFs, as this aligns to the timescales of the Corporate Strategy, 'Better Lives for all'. The MTFs 2023/24 to 2025/26 was agreed September 2022 - this highlighted timeframe has been mirrored with the 2022 MTFs to provide a balance between long term financial planning and having realistic assumptions to use. This considers the volatility within local government financial planning, due to the lack of certainty from historic one-year financial settlements, which appears to be reasonable.

Budget holders were engaged in the process by identifying savings and through engagement with the Executive. For example, a Joint meeting of the Overview and Scrutiny Committee and the Development Management Committee was held in January 2022 prior to the 2022/23 budget having been reviewed by the Executive again and agreed by Full Council in January 2022. The options to meet the budget gap were identified by the senior leadership team and were then presented to the Executive as part of the draft budget in January 2022.



Governance (cont.)

How the body approaches and carries out its annual budget setting process (cont.)

The Council has strategies in place, such as relating to workforce, and our review highlighted there is good working across the senior officers leadership team to allow early discussion of any changes that would impact upon the MTFs and budget. During 2021/22 performance issues with the waste and recycling service provided by FCC Environment were discussed at the Full Council and remedial actions undertaken to address these performance issues. Our review highlighted that the regular waste services performance updates were sufficiently detailed to enable members to make informed decisions.

In October 2022, following regular monitoring of the performance of the Council's waste and recycling service, the Council decided to terminate the contract with FCC Environment. This was because FCC Environment was unable to provide adequate assurance that it could ensure there were sufficient resources and capacity to deliver the statutory waste and recycling collection services. The Council decided to bring responsibility for delivering the service back in house with effect from 3 October 2022. The Council also decided to end the free garden waste collection service from 31 October 2022 to ensure that there were sufficient resources and capacity to deliver the statutory waste and recycling collection services. The Council expects the on-going revenue costs of delivering the service will be in the region of £1.25m per annum higher than the current budgeted contracted cost, as stated in the Executive report of 12 July 2022. An annual cost pressure of £1.25m has been built into the MTFs for 2023/24 onwards as a result of this. As the Council is taking the service back in October 2022, the increased cost in 2022/23 has been reported as part of the overall budget monitoring report for 2022/23. This provides good evidence of the Council ensuring that the budget remains up to date and reflective of current issues.

The Annual Treasury Management Report for 2021/22 presented to AGC in September 2022 highlighted income from investments during the year was £140,071 which was £62,929 lower than the budget of £203,000 at an average return of 0.07%. The Council's return on investments of 0.07% reflected investments were kept very short term due to concerns over cashflow as there were many unknown variables such as the payment of Business Grants.

The 2022/23 Annual Treasury Management report presented to AGC September 2023 highlighted income from investments was £1,147,385 which is £1,024,385 higher than the budget of £123,000 at an average return of 2.02%. The comparable performance indicator (Benchmark) is the Sterling Overnight Interbank Average rate (SONIA) which was 2.19%. Therefore the Council achieved 0.17% return on investments below the benchmark for 22/23. The reason for the benchmark not being met is that rates were very low at the start of 2022/23 (0.04%) and then substantially rose throughout the year.

How the body ensures processes and systems are in place to ensure budgetary control

Every budget holder has an accountant and a finance budget partner to support them and to ensure they effectively manage their budget. The support approach differs across budget holders; some receive monthly budget monitoring reports whereas others can access financial information themselves direct from the general ledger. The provision of finance support to budget holders is based on an assessment of key risks, budget size and complexity, to maximise the use of limited finance resources.

The revenue monitoring reports have been taken to the Executive (in both 202/22 and 2022/23) for months 1,2,4,7 and 10 and each of these reports sets out the variance from budget and the management action that is required. 2021/22 and 2022/23 revenue and capital outturns were taken to the September Executive meetings in both 2022 and 2023. Our review confirmed that these regular budget monitoring reports include monitoring reserves with an on-going review of the Council's capital programme.

For 2022/23, the Council produced summary financial statements for the ease of public consumption and to further the transparency and readability of the Council's financial position.

Overall, we are satisfied the Council had appropriate arrangements in place to manage the risks it faces to ensure systems for budgetary control are in place.

Governance (cont.)

How the body ensures it makes properly informed decisions

The Council operates various scrutiny committees which hold senior officers and the Executive to account. The work of the Council's committees is governed by the Constitution. The Constitution is regularly reviewed and updated (most recently July 2022) and is shared with all staff members on joining and is openly available on the Council's website. The Council's AGS sets out how the Council operates, how decisions are made and the policies and are followed to ensure that these are efficient, transparent and accountable to local people. Review of key council committee papers highlighted relevant information is provided to members to allow for appropriate challenge and scrutiny.

Council business is conducted in public unless legislation deems it appropriate for it to be considered in private. Key decisions of officers are published on the Council's website. The Council carries out a range of public consultation. The Council should continue to build on engagement activities adopted during the pandemic. The Council consulted stakeholders on their draft budget for 2021/22 and 2022/23. The communication and engagement plan included a dedicated webpage and media release; communication to members and staff; posts on the internet; intranet and use of social media.

Given the limited engagement achieved in 2020/21 and 2022/23, the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this is a meaningful process, which supports the development of the budget, MTFS and savings. We have made an improvement recommendation relating to this on page 16.

Monitoring standards

The Council has arrangements in place to monitor compliance with legislation and regulatory standards and to communicate to its staff what behaviours are expected/not expected of them.

The Head of Internal Audit's assessment of the arrangements against the 2018 CIPFA Guidance for Audit provided reasonable assurance that there were no significant weaknesses in internal controls or governance arrangements during the 2021/22 and 2022/23 years. This was corroborated by our 2021/22 and 2022/23 financial statements audit and review of the 2021/22 AGS and 2022/23 AGS.

A range of policies and standards are in place to ensure compliance with the Council's constitution, such as codes of conduct, gifts and hospitality and whistle-blowing policies.

The 2021/22 and 2022/23 AGS highlighted that the Council has approved and adopted a code of corporate governance, which is consistent with the principles of the International Framework: Good Governance in the Public Sector. The AGS is included in the annual review of the Constitution undertaken each year by the Council's Monitoring Officer. To ensure all statutory requirements have been met the statement has been produced in accordance with the CIPFA Delivering Good Governance Framework 2016. The AGS is approved by the AGC in September of each year. In developing its 2021/22 and 2022/23 AGS, the Council formally reviewed its corporate governance arrangements against its Local Code of Corporate Governance.

Based on our review, there is evidence of the Council having arrangements in place to meet legislative and regulatory requirements and associated standards of behaviour. Expected standards of behaviour are detailed in the Council Constitution and the Code of Conduct. We note that in June 2023 the Council (with West Devon Borough Council) won the Senior Leadership Team of the Year category, at the Municipal Journal Achievement Awards.

Governance (cont.)

Monitoring standards (cont.)

Procurement

Procurement in the Council is supported by a shared (with West Devon Borough Council) procurement officer, and a procurement system is used to support the end-to-end procurement process. In 2022/23 Internal Audit highlighted Officers were generally aware of the need to obtain value for money, but there were opportunities to improve the procurement framework which included increasing the available procurement expertise. As a result of the internal audit review finding the Council continues to share an expert Procurement Officer and are also now advertising for a Procurement Support Officer. Other important findings and recommendations from the Internal Audit review will be followed up through the tracking of internal audit recommendations, completed at the Audit and Governance Committee.

Contract Procedure Rules are in place which detail the requirements for procurement activity, supported by advice and assistance from the shared Procurement Officer. The Procurement Officer supports procurement activity, but the Council has identified that additional resource is needed to develop the procurement framework sufficiently. The Council adopted the Devon Districts Procurement Strategy and action plan produced by the Devon Districts Procurement Group, of which the Council is a member. Our review highlighted there has been no specific work in the Council to implement the actions from this. The forthcoming Procurement Act will generate changes to procurement rules that will need to be implemented in late 2023. We have included a follow up of actions arising from the Devon Districts Procurement Strategy action plan in the improvement recommendation on page 17.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's governance arrangements for ensuring that it made informed decisions and properly managed its risks, and we have identified two improvement recommendations on page 16 and 17.



Improvement recommendations



Governance

Recommendation 1

The Council should consider how it can enhance its stakeholder engagement to ensure this provides meaningful responses.

Audit year

2022/23

Why/impact

Meaningful stakeholder responses provide further information to the Council on views and priorities, and can be used to make more informed decisions.

Auditor judgement

Limited stakeholder engagement may not gather adequate feedback of council plans and strategic aims.

Summary findings

Given the limited engagement responses achieved in 2021/22 and 2022/23, the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this provides meaningful responses, supporting the development of Council objectives including, budget, MTFS and savings setting.

Management Comments

The Council is carrying out extensive stakeholder engagement on its Council Plan for 2024/25 onwards which has been developed based on several discussions through Advisory Group meetings with Executive Lead Members.

The public consultation on the draft corporate plan commenced on Monday 25th September 2023 and ran through until 30th November 2023 – a total of ten weeks.

The consultation included a range of ways to seeks views on the draft Council Plan including:

- a. An online public consultation platform with survey.
- b. A dedicated email address to send 'free-text' responses
- c. Two online Parish Council briefings.
- d. Face-to-face meetings between Executive Lead for Economy and each Town Council – with a primary focus on economic support and alignment.
- e. Resident engagement at Ivybridge, Kingsbridge and Totnes Markets.

Improvement recommendations



Governance

Recommendation 2 The Council should ensure the action plan identifying areas for improving procurement control is implemented. The Procurement Officer supports procurement activity, and additional resource is needed to develop the procurement framework and to ensure it is effective in meeting objectives

Audit year 2022/23

Why/impact Adequately resourced procurement department will enable better compliance with required procurement processes and framework.

Auditor judgement Procurement resourcing is not sufficient to ensure compliance with framework requirements.

Summary findings The Council adopted the Devon Districts Procurement Strategy and action plan produced by the Devon Districts Procurement Group of which the Council is a member. There has been no specific work in the Council to implement the actions. The forthcoming Procurement Act will generate changes to procurement rules that will need to be implemented in late 2023.

The Procurement officer provides good assistance to procurements, but additional resource is needed to develop the Procurement framework and to ensure it is effective in meeting objectives.

Management Comments The Council is currently advertising for a Procurement Support Officer post to ensure the procurement service has adequate and additional resource.

The Council has updated the Constitution including Contract Procedure rules with clear responsibilities for procuring managers and commenced the update of the Devon District Procurement Strategy.

The Council has promoted the procurement rules and regulations to officers responsible for buying goods and services across the Council.



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

Improving economy, efficiency and effectiveness



We considered how the Council:

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

How financial and performance information has been used to assess performance to identify areas for improvement

We have reviewed a range of indicators produced by our benchmarking tool 'CFO Insights' (CFOi), which are detailed in table 2 on page 19. These indicators compare the unit costs for a range of services relating to 2021/22 revenue outturn, and highlighted two areas where the unit costs were high in comparison to the Council's statistically nearest neighbours:

- Environmental and regulatory services per head of population (waste services); and
- Other services (which include Parish Council expenditure).

The Council has advised that the high relative unit cost of providing the environmental health service is attributable to the high cost of providing a waste service in a rural setting and the actual rate of inflation on the contract which was 12.2% and was significantly higher than the budgeted provision of 3%. Contract inflation was based on fuel inflation, wage inflation and consumer price index, all of which were higher than when the budget was set. This indicates the Council understands its cost base and the reasons that it may be an outlier.

There are multiple levels of review before reports are compiled for committee meetings and discussion with officers highlighted there is confidence in the accuracy of these reports. Assurance for the control framework is taken from the work of Internal Audit. Pre-briefs are held with members prior to formal meetings to ensure reports are understood. The Overview and Scrutiny Committee (OSC) receives quarterly reporting of performance.

Progress against the Thematic Delivery Plan for targets in The Better Lives for all Corporate Strategy has continued to be regularly monitored by the relevant Lead Members through regular meetings with lead officers. Key performance measure highlights are also provided in the quarterly Integrated Performance Management Report considered by the Executive. The OSC is responsible for on-going review of performance in year.

Our review of the Quarter 4 2022/23 integrated performance report concluded that it provided details of key performance indicators for Corporate Strategy Actions and highlighted that 78% (35 of 45) key performance indicators were on track and 20% (9) were rated as having some issues but have an action plan in place to address. Our review highlights the Council monitors performance against relevant KPIs and when off track they implement remedial actions to improve performance.

The Local Government and Social Care Ombudsman (LGCSO) looks at complaints about councils from members of the public where the complainant considers that a council has not sufficiently addressed their concerns. During 2021/22 the Ombudsman received twenty-seven complaints about the Council, of which five were put forward for investigation. Following detailed investigation, two of those complaints were upheld by the Ombudsman, with one recommendation (Waste related which resulted in an award and recommendations for dealing with waste complaints that were complied with) issued. On average, the Ombudsman upholds 66% of complaints about Councils. The Council has seen 40% of investigated complaints upheld, which is below the national average and an improvement on the Council's performance from 2020/21.

Improving economy, efficiency and effectiveness – benchmarking

Table 2 - Unit Cost table - showcasing budgeted spend within each service area. This unit cost table shows the budgeted spend per 'Service Line'. We have then associated a unit to the service line to calculate a unit cost. The Unit Cost Score analysis then benchmarks the spend against the comparator group e.g other councils. A 'Very High' score would place the authority in the top 20%, with 'Very Low' placing it in the bottom 20%.

South Hams	2021/2022 (£000s)	Unit (population)	Unit cost (£)	Unit cost ranking
TOTAL HIGHWAYS AND TRANSPORT SERVICES (RO) £/head	(2,077)	89,213	(22.05)	Very Low
TOTAL CULTURAL AND RELATED SERVICES (RO) £/head	586	89,213	6.66	Very Low
TOTAL PLANNING AND DEVELOPMENT SERVICES (RO) £/head	1,595	89,213	18.14	Average
TOTAL HOUSING SERVICES (GFRA only) (RO) £/head	1,200	89,213	13.64	Average
TOTAL ENVIRONMENTAL AND REGULATORY SERVICES (RO) £/head	4,818	89,213	54.78	High
TOTAL CENTRAL SERVICES (RO) £/head	2,600	89,213	29.56	Low
TOTAL OTHER SERVICES (RO) £/head	2,387	89,213	27.14	Very High
Total Net Expense (RO) £/head	11,159	89,213	126.88	High

Improving economy, efficiency and effectiveness (cont.)

How the body ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives.

The Council's Constitution sets out how it engages with stakeholders and partners through joint working arrangements, partnership boards and annual appointments to external organisations. The Council seeks resident views when developing proposals by delivering on Consultation and Engagement Strategy. The Joint Local Plan (adopted by South Hams District Council on 21 March 2019, Plymouth City Council on 26 March 2019 and West Devon Borough Council on 26 March 2019) is an example of a strategic partnership in which the Council is represented and ensures agreed actions are delivered. Arrangements are in place to monitor progress through the Authorities Monitoring Report (AMR) which provides an annual update (to Full Council) in the February after the preceding financial year.

The Council developed new joint working and partnership arrangements to respond to the pandemic and ensure that the needs of service users continue to be met. The Council key partnerships include working with Parish Councils to understand and tackle local issues and reinstate Parish-Borough Link Meetings and ensuring that the Council is represented in existing key partnerships / voluntary and community groups. The Council Plan highlights how the pandemic had a lasting impact on the health and wellbeing of local communities. The Council is working together with partners including Devon County Council, the NHS and the voluntary sector to understand the impacts and identify opportunities to enhance community wellbeing.

The Council considered investing in a solar park, and third party advice was commissioned by the Council who based on this advice decided not to invest. Third party advice was also obtained prior to the decisions made to provide additional funding from reserves to Fusion (leisure services) in 2021/22 and 2022/23 to cover shortfalls in income of the leisure management fee. This indicates that the Council take appropriate action to obtain relevant advice on matters that they need additional expertise on.

The Council consulted stakeholders on their draft budget for 2021/22. The online consultation is part of Council engagement online. The Council undertook consultation regarding the "Better Lives for All" plan Thursday 15 July 2021, and the Council undertook a public consultation, providing opportunities for residents and business to engage with the plan. This consultation opened on 21 July 2021 and ran for six weeks and informed content for the Better Lives for All plan priorities.

For 2022/23 the Council consulted stakeholders on an increase in council tax. Despite the attempted engagement, there were limited responses achieved in 2020/21 and 2022/23, and the Council should consider how it can enhance its stakeholder engagement and empowerment to ensure this provides meaningful responses, which supports the development of council priorities including development of annual budget, MTFs and savings.

We have made an improvement recommendation on page 16 relating to stakeholder engagement.



Improving economy, efficiency and effectiveness (cont.)

Where the body commissions or procures services, how it assesses whether it is realising the expected benefits.

The Council has a Sustainable Procurement Strategy, which sets out how procurement will support the Council's long term financial sustainability, drive efficiencies, support local economic growth, and optimise the opportunities for delivering social value.

Our review has not identified examples of the Council failing to consider the risk and rewards when undertaking significant commercial ventures, outsourcing, shared service arrangements or partnerships.

The Council has and continues to undertake significant work in respect of the Plymouth and South Devon Freeport. The Council has published a set of Frequently Asked Questions on its website to aid transparency and public understanding of the Freeport. We also note that, following the May 2023 elections, the Audit and Governance Committee created a Task and Finish Group in respect of the Freeport, with a comprehensive report taken to Executive 30 November 2023.

The Council does not rely heavily on income from commercial activities or its investment portfolio. The Council has not entered significant new commercial ventures, outsourcing, shared services or partnership in 2021/22 or 2022/23. The Council monitors the performance of its two investment properties and reports annually to the Audit and Governance Committee on their performance.

Since the in-sourcing of the Waste and Recycling service, performance has stabilised and improved significantly, and in February 2023, for the first time in over three years, the service achieved the national industry standard performance target of no more than 80 missed bins per 100,000 collections.

The Council have taken steps to reduce the amount of agency resource employed in the waste and recycling services to further provide stability for the service. The introduction of a chargeable garden waste service launched in March 2023.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for improving economy, efficiency and effectiveness ensuring that it made informed decisions and properly managed its risks.



Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	The Council should introduce a performance management framework based upon SMART strategic objectives to ensure delivery of its new corporate plan. This should include monitoring the performance of its strategic partnerships.	Improvement	November 2021	<p>Management Update 24th July 2023</p> <p>Since development and adoption of the Council Corporate Strategy in September 2021, the Council has implemented a performance management framework with SMART strategic objectives set out in a three year delivery plan. The Council have also enhanced performance reporting arrangements which now include:-</p> <ul style="list-style-type: none"> - Quarterly reports on progress to Executive against the adopted strategy delivery plan, overview of strategic risks and updates on key capital programmes - 'Deep Dives' into a specific theme through Overview and Scrutiny Committee setting out detailed progress reports - Implementation of service plans aligned to corporate strategy - All employees have an annual objective setting discussion with mid-year reviews - Key Performance Indicator reporting has been enhanced with clear narratives setting out the performance and comparator data provided. During 2021-2023 these reports have been considered by Overview and Scrutiny on two occasions during the year. This will be further enhanced during 2023/24 with KPI reports being considered by the committee at least 3 times during the year. 	Yes	N/A

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?	
Page 29	2	The Council should review progress against the actions set out in the Devon Districts Procurement Strategy on a more regular basis, and at least annually. Progress should also be reported to SLT and elected members, for example either via Overview and Scrutiny Committee or Executive.	Improvement	November 2021	Management Update 24th July 2023 There have been delays in formulating the new Devon Districts Procurement Strategy. This work is set to conclude during 2023 with the Council providing input to shape the strategy. Alongside adoption of the new strategy, a reporting process will be implemented. During 2022/23, Internal Audit review of the Procurement function and priorities was undertaken with the update on progress being considered by the Audit and Governance Committee at their meeting on 14th March 2023.	WIP	We raised an improvement recommendation on page 17 relating to follow up of the procurement review action plan.
		The Council should improve its performance reporting on its capital programme by clearly reporting spend against profiled budget.	Improvement	November 2021	Management Update 24th July 2023 Additional columns have been built into capital monitoring reports to show a profiled budget for each financial year so slippage can easily be identified. In addition the Council now take an annual outturn report to Executive which covers both capital and revenue.	Yes	N/A
	4	The Council should have an agreed approach for ensuring staff maintain an awareness and understanding of their obligations relating to the Council's code of conduct.	Improvement	November 2021	Management Update 24th July 2023 New starters to the Council are required to confirm that they have read and understood the Code of Conduct. Furthermore, the Council have recently reminded all staff of the need to comply with the employee code of conduct through highlighting it during the pre-election period alongside the Pre-Election protocol for staff and members. In 2023 the Council will be launching a new mandatory learning and development programme which will include Code of Conduct e-learning.	Yes	N/A

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
5	The Council should review its whistle-blowing policy annually, and update as necessary.	Improvement	November 2021	<p>Management Update 24th July 2023</p> <p>The policy was last considered by Audit and Governance Committee on 15th March 2022.</p>	Yes	N/A
6	The Council should monitor progress against its savings plans to elected members on a regular basis throughout the year, including the year end position.	Improvement	November 2021	<p>Management Update 24th July 2023</p> <p>The annual savings built into the base budget are monitored quarterly via the revenue budget monitoring reports taken to Executive. The reports contain a separate appendix on the savings including the latest projections for the year. In addition this appendix was included in the outturn report taken to Executive for 2021/22 (and 2022/23 will be taken in September 2023).</p>	Yes	N/A

Opinion on the financial statements for 2021/22



Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 31 March 2023.

The opinion was delayed past the statutory deadline of 30 November 2022 due to a national accounting issue affecting all Local Authorities with significant infrastructure assets. The accounting issue which was resolved following updated legislation which was issued after 30 November 2022.

Audit Findings Report

More detailed findings can be found in our AFR, which was published and reported to the Council's Audit and Committee on 9 March 2023.

Whole of Government Accounts

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

No issues were noted and we provided our assurances to the NAO on 31 March 2023.

Preparation of the accounts

The Council provided draft accounts in line with the national deadline and provided a good set of working papers to support it.

There were limited adjustments made to the draft financial statements provided to us as part of the audit.

Grant Thornton provides an independent opinion on whether the accounts are:

- True and fair;
- Prepared in accordance with relevant accounting standards; and
- Prepared in accordance with relevant UK legislation.



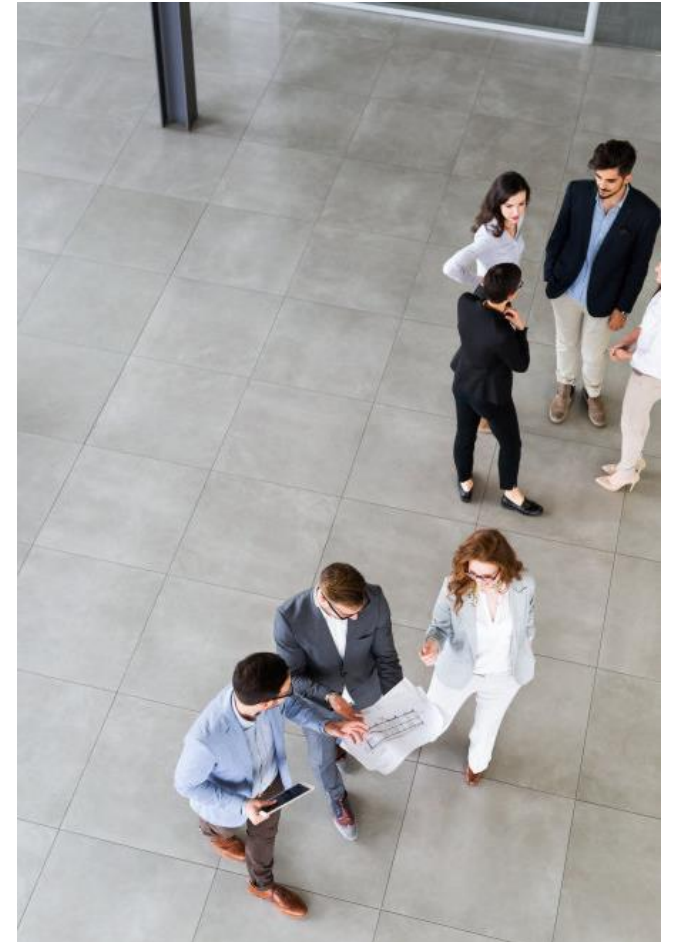
Opinion on the financial statements for 2022/23



Audit opinion on the financial statements

We have not yet issued our audit opinion for the 2022/23 financial year. Our audit work began in November 2023 and we expect to report our findings to the March 2024 Audit and Governance Committee.

For 2022/23, the Council produced summary financial statements for the ease of public consumption and to further the transparency and readability of the Council's financial position. These were presented to the Audit and Governance Committee in December 2023. They have not been audited.



Appendices

Appendix A – Responsibilities of the Council

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

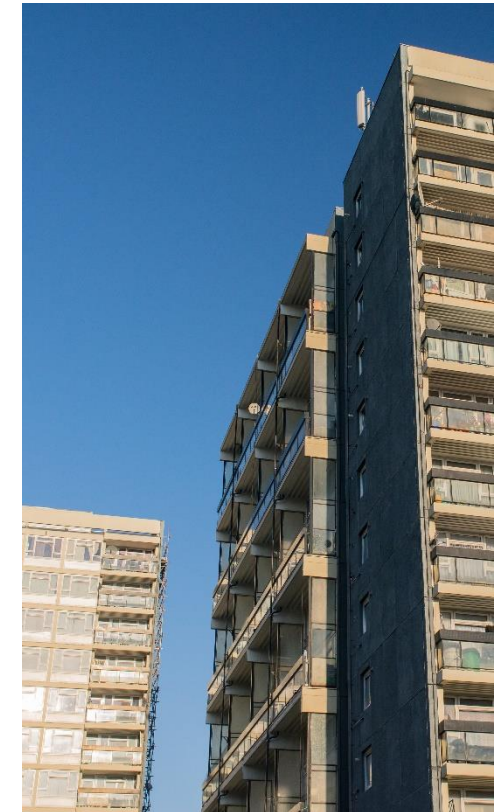
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

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

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

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



Appendix B – An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements.	Yes	16,17

South Hams District Council audit plan

Year ending 31 March 2023

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Contents



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Key matters	3	The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
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Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In March 2023, we issued [About time?](#), which explored the reasons for delayed publication of audited local authority accounts. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers. We have experienced this in our previous audits of South Hams District Council.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will continue to provide you and your Audit and Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit and Governance Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Hams District Council ('the Council') for those charged with governance.

Respective responsibilities

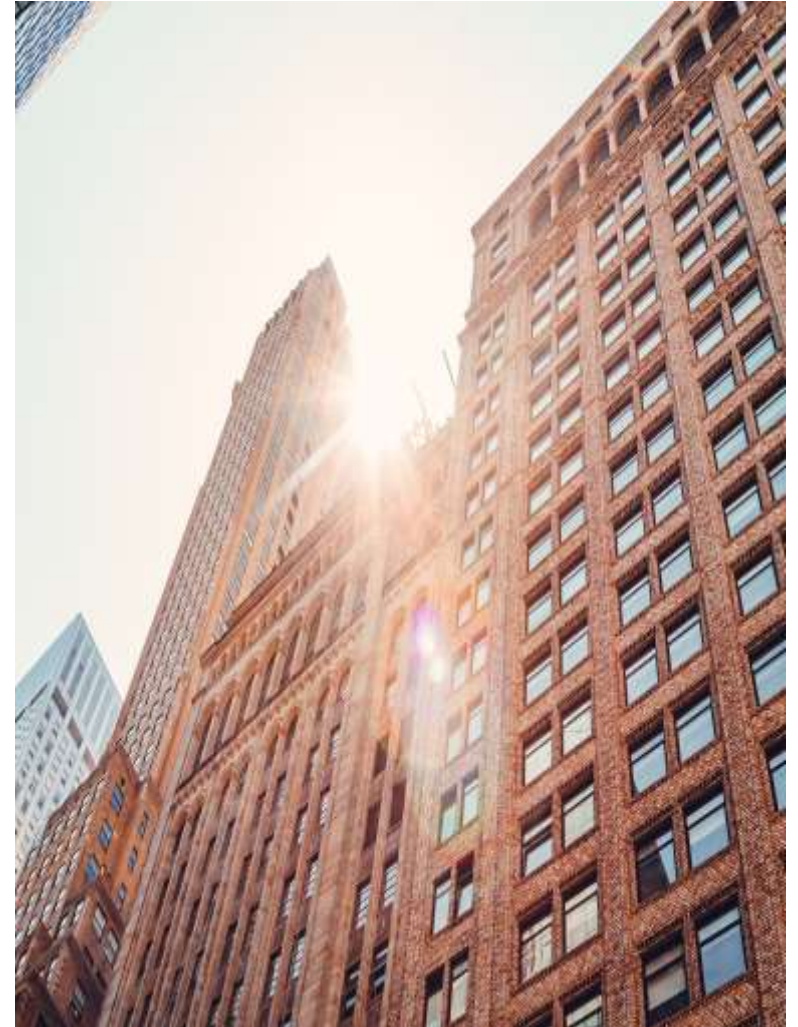
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of South Hams District Council. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Governance Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

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- Management override of controls;
 - Valuation of land and buildings;
 - Valuation of investment properties; and
 - Valuation of the pension fund net asset.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £1.140m (PY £1.066m), which equates to 2% of your gross operating costs for the year. As part of our risk assessment, we have considered the impact of unadjusted prior period errors.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.057m (PY £0.0533m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness. We will continue to update our risk assessment until we issue our final Auditor's Annual Report.

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Audit logistics

Our planning visit will take place in November 2023 and our proposed final visit will take place in November 2023 to January 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £60,960 (PY: £56,709) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent revenue transactions (ISA240)	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of material fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • there are adequate controls in place to deter and identify material fraud; and • the culture and ethical frameworks of local authorities, including South Hams District Council, mean that all forms of fraud are seen as unacceptable. 	At the planning stage we do not consider this to be a significant risk for South Hams District Council. We will continue to consider this risk as we progress through the audit.
Risk of fraud related to expenditure recognition (PAF Practice Note 10)	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.</p> <p>We have determined that the risk of material fraud arising from expenditure recognition can be rebutted because, per Practice note 10, misstatements may arise where the audited body is under pressure to meet externally set targets. This environment does not exist at the Council.</p>	At the planning stage we do not consider this to be a significant risk for South Hams District Council. We will continue to consider this risk as we progress through the audit.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non rebuttable presumed risk that the risk of management override of controls is present in all entities.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals; • analyse the journals listing and determine the criteria for selecting high risk unusual journals; • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its land and buildings on a rolling five yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • test revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Investment Properties	<p>The Council has investment properties which must be valued annually at 31st March. As with other land and buildings, the valuation for these properties is sensitive to changes in key assumptions. We will consider the key assumptions and inputs used in the valuation, namely;</p> <ul style="list-style-type: none"> • Rental yield • Annual income <p>Due to the size of the estimate and the assumptions set out above, we consider this valuation to be a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluate the competence, capabilities and objectivity of the valuation expert; • write to the valuer to confirm the basis on which the valuation was carried out; • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation. This will include testing to rental or lease contracts to check the annual income for properties; • use an auditor's expert with knowledge of investment property valuations or market data to consider the rental yield figures used in valuation calculations; and • test revaluations made during the year to see if they had been input correctly into the Council's asset register.

Significant risks identified

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net asset	<p>The Council's pension fund net asset, as reflected in its balance sheet as the net defined benefit asset, represents a significant estimate in the financial statements.</p> <p>The pension fund net asset is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The key assumptions used in the calculation which we will consider are the assumed:</p> <ul style="list-style-type: none"> • Discount rate • Pension Increase rate • Salary growth • Life expectancy <p>Based on the issues above, we have identified valuation of the Council's pension fund net asset as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net asset is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the asset; • test the consistency of the pension fund net asset and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Other risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
New payroll system	<p>The implemented a new payroll system during the 2022/23 financial year, moving from TeamSpirit to iTrent.</p> <p>As a significant system to the Council's financial reporting, there is a risk that data was not transferred completely or correctly to the new system, and that it is therefore not producing correct or accurate outputs.</p>	<p>We will:</p> <ul style="list-style-type: none"> gain an understanding of the process used for new system implementation, including determining whether there was adequate oversight for acquisition and installation; and review the data migration activity and results to gain assurance that the transfer was completed completely and accurately.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.

We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.

We consider our other duties under legislation and the Code, as and when required, including:

- giving electors the opportunity to raise questions about your 2021/22 financial statements, consider and decide upon any objections received in relation to the 2021/22 financial statements;
- issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act).
- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act

- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
Page 50	<p>1 Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. Materiality at the planning stage of our audit is £1.140m, which equates to 2% of your draft gross expenditure for the period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> • establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; • assist in establishing the scope of our audit engagement and audit tests; • determine sample sizes; and • assist in evaluating the effect of known and likely misstatements in the financial statements.
	<p>2 Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p>

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit and Governance Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.057m (PY £0.0533m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit and Governance Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 19.

We are not planning to rely on the operation of application controls. Therefore we will carry out a streamlined ITGC assessment on the IT systems that support the operation of the finance system rather than gaining assurance that the relevant controls of specific systems have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica	Financial reporting	<ul style="list-style-type: none"> Streamlined ITGC assessment (design effectiveness); and Understanding of link to feeder systems
Northgate	Council Tax, Housing Benefits	<ul style="list-style-type: none"> Streamlined ITGC assessment (design effectiveness)
iTrent	Payroll	<ul style="list-style-type: none"> Obtain an understanding of the process used for new system implementation (determine whether there was adequate oversight for acquisition and installation); Audit of data migration activity and results; and Streamlined ITGC assessment (design effectiveness).

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office -issued its latest Value for Money guidance -to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

We have not identified any risks of significant weaknesses from our initial planning work. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team



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Jackson Murray, Key Audit Partner

Responsible for overall quality control, accounts opinion and Value for Money conclusion, final authorisation of reports and risk communication with management and the Audit and Governance Committee.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to:

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement;
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you;
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit; and
- respond promptly and adequately to audit queries.



Gail Turner-Radcliffe, Audit Manager

Responsible for the management of all audit fieldwork including the accounts audit, review of work performed by the in-charge auditor and attendance at Audit and Governance Committee and liaison meetings.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for South Hams District Council to begin with effect from 2018/19. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
South Hams District Council Audit	£56,709	£60,960

Assumptions

In setting the above fees, we have assumed that the Council will:

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- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit;
 - provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements; and
 - provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees - detailed analysis

	Proposed fee 2022/23
Scale fee published by PSAA	£40,110
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Infrastructure assets	£2,500
Journals testing	£3,000
Impact of ISA540	£2,100
Enhanced audit procedures for Payroll - change of circumstances	£500
Enhanced audit procedures for Collection Fund - reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Total proposed audit fees 2022/23 (excluding VAT)	£60,960

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All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Other services

The table sets out other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of the Council's Housing Benefit subsidy claim	£32,400*	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £32,400 in comparison to the total fee for the audit of £60,960 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

* base cost assuming no further work is required to be undertaken on errors identified. If additional work is required this will be charged at a day rate of £1,500.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•	
Significant matters in relation to going concern	•	•	We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	Respective responsibilities
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	

Agenda Item 7

Report to: **Audit and Governance Committee**

Date: **14 December 2023**

Title: **Update on the 2023-24 Internal Audit Plan, and Charter and Strategy**

Portfolio Area: **Cllr Julian Brazil – Leader of the Council**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Paul Middlemass** Role: **Audit Manager**

Contact: Paul.Middlemass@devon.gov.uk **07736 155687**
Tony.d.Rose@devon.gov.uk **01392 383000**

RECOMMENDATION

That the Committee:

- 1. Note and approve the progress made against the 2023/24 internal audit plan, and any key issues arising; and**
- 2. Approve the Internal Audit Charter and Strategy.**

1. Executive summary

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team, and to obtain approval for the Audit Charter and Strategy.

2. Background

The Audit and Governance Committee, under its Terms of Reference contained in South Hams District Council's Constitution, is required to monitor, and review the internal audit programme and findings, and the associated progress and performance of Internal Audit. As part of that role, it is required to approve the Internal Audit Charter and Strategy.

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

The purpose and role of Internal Audit, and of the related Council responsibilities is also contained in the Internal Audit Charter and Strategy.

3. Outcomes/outputs

Members will note the assurances provided on the audited areas and seek management assurance that identified weaknesses are being addressed.

The table below details the assurances we have provided to date this year:

Audit	Business Area	Assurance Opinion	Comments
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for South Hams, West Devon, and Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	

4. Options available and consideration of risk

No alternative operation has been considered as the function of internal audit is a requirement of Corporate Governance.

5. Proposed Way Forward

That Audit and Governance Committee approves the Internal Audit Charter and Strategy and notes the results of Internal Audit work undertaken since the last meeting.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to 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.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal Audit supports all the Council's corporate strategy themes.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. The Internal Audit function, managed by Devon Audit Partnership is mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to support the audit process, although it is inevitable that on-site verification may be required at times. The team use an audit management system (Ideagen) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

Supporting Information

Attachments:

- A – Internal Audit Progress Report
- B- The Internal Audit Charter and Strategy

Background Papers:

Internal Audit Plan 2023/24 as approved by Audit and Governance Committee.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	N/A

Internal Audit Progress Report 2023-24

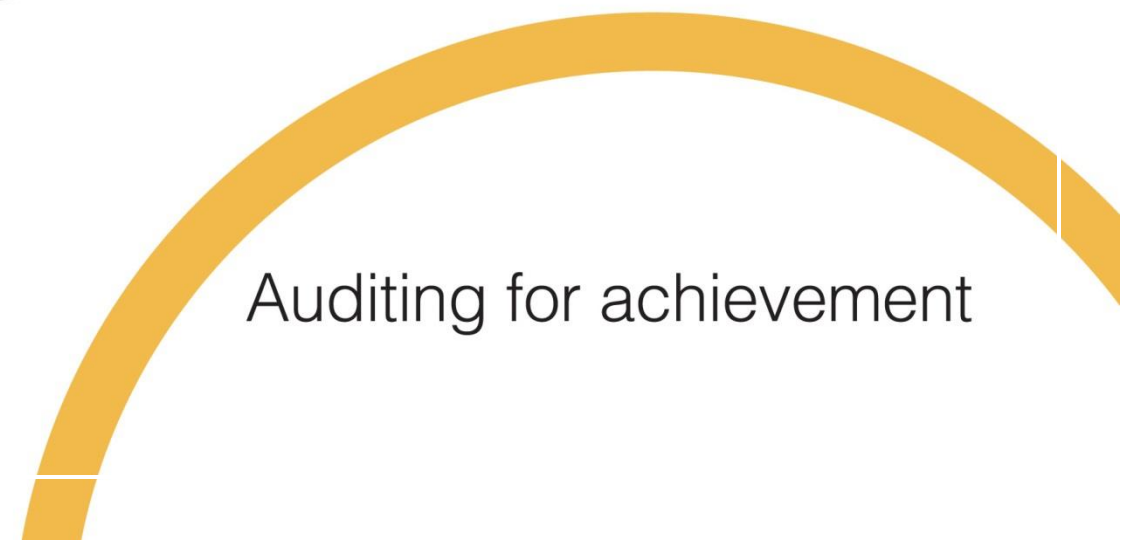
South Hams Audit & Governance Committee

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14 December 2023

Tony Rose
Head of Audit Partnership

Paul Middlemass
Audit Manager



Auditing for achievement

Introduction

The Audit and Governance Committee, under its Terms of Reference contained in South Hams 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 2023-24 was presented and approved by the Audit and Governance Committee in March and July 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 Audit and Governance Committee from this progress report

Audit 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 Audit and 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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Value Added

Audit Coverage & Progress Against Plan

Appendices

1 – Summary of Audit Results

2 – Audit Plan Progress

Opinion Statement

Overall, based on work performed during 2022/23 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 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.

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

Key Financial Systems

We provide a Substantial Assurance audit opinion over the two core financial areas of Main Accounting and Treasury Management.

We also provided a Substantial Assurance audit opinion on management of the UK Shared Prosperity Fund (UKSPF), confirming the grant funding had been allocated out to projects and that there were effective arrangements to manage them.

We provided a Reasonable Assurance audit opinion for Creditors, noting that 98% of payments were made within 30 days but identified opportunities to improve some processes.

Risk Based Audits

We provided assurances related to members in our audit on Electoral Registration (Substantial), and Member Allowances (Reasonable).

We agreed a Reasonable Assurance opinion related to Comments and Complaints, noting there was an effective system to manage comments / complaints but there was a need to improve how quickly they were responded to.

We also include a summary on the Batson development as requested at the last committee meeting. In relation to the other request, we will be looking at Section 106 payments as part of our Planning audit.

We are close to completion of our Cyber Security Audit and will report results at the next meeting.

Appendix 1 of 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

Recent assessments state that there is an epidemic of fraud cases. Fraud now account for 40% of all crimes; it is anticipated that this will further increase by 25% in the coming years ([see Fraud and the Justice System](#)). The government has responded with formation of the Public Sector Fraud Authority. Given this landscape, it is important for councils to have effective measures to reduce the risk and impact of fraud.

We have provided a Counter Fraud Resilience and Assessment report and helped update the Anti-Fraud, Bribery and Corruption Policy, Response Plans, and Whistleblowing Policy. These will be discussed at the December 2023 Audit and Governance Committee.

We are not aware of any reported fraud issues in the year to date. Management is aware that suspected issues can be referred to our specialist counter fraud team.

The data analysis exercise of those receiving Single Person Discounts on Council Tax has started. This is being undertaken by Liberata and paid for by Devon County Council. The exercise recently concluded at Mid Devon generated approx. £150k in uplifted council tax payments.

Internal Audit Recommendation Tracking

Officers continue to work to assess and clear previous audit recommendations. We have recently provided details of all recommendations since November 2022.

In addition to monitoring by the council’s Performance Board, we will review closure of High priority recommendations. We will also review implementation of all recommendations while undertaking future audits in the area concerned.

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:

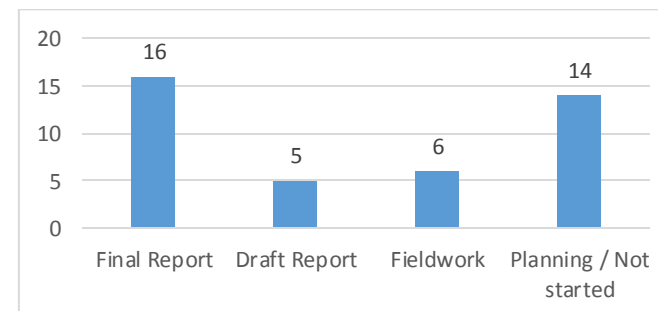
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan when needed to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils that we support.

Audit Coverage and Performance Against Plan

Appendix 2 provides detail on delivery of the audit plan. During the year additional reviews of grants have been undertaken at client request which has taken resource away from the original plan, and some audits have been paused while management undertake reviews. That said, we are making reasonable progress to deliver the plan.

The chart below shows the status of audits at each stage.

Chart: Delivery of the 2023-24 audit plan



Customer Satisfaction

For every audit we ask the client to complete a customer satisfaction form. We have had the following returned to us recently.

Audit	Overall Score
Procurement	Excellent
Health and Wellbeing	Excellent
Pay	Excellent
Regeneration and Investment	Excellent
Council Tax Rebate Checks	Excellent

DAP Member event – 16 Nov 23

DAP delivered an event for Audit Committee members and officers on 16 Nov 23. Feedback has been positive to the event.

Recruitment of Independent Audit Committee 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.

Appendix 1 – Summary of audit reports and findings

Audit / Assurance Opinion	Summary, risk exposure and management actions
<p>Treasury Management</p> <p>Substantial Assurance</p>	<p>The Councils are adhering to legislative and regulatory requirements and have appropriate and effective controls over treasury management operations. Members approve the strategies and receive the performance reports required by legislation. A cautious investment strategy continues to be followed, the investment priorities being security, then liquidity and yield. There is a good process to record and administer individual investments. There is segregation of duties related to agreeing an investment and authorising the associated CHAPS payments and, in the case of the MMFs, authorising investments made through the Sungard portal.</p> <p>Appropriate expert advice is obtained on investments. External advisors were recently engaged to make a detailed review of the Councils' investment approach and performance, with their findings to be presented to the March 2024 Audit and Governance Committee. Interest rates and actual return were higher than budgeted in 2022/23 with the council earning £1.15m in income reflecting the sustained increase in the base rate through the year. Additional costs incurred during 2022/23 due to the economic climate were offset by investment income more than the budget being generated by high interest rates, as well as other additional income and cost savings.</p> <p>No management actions were required for this audit.</p>
<p>Electoral Registration</p> <p>Substantial Assurance</p>	<p>The Electoral Services teams maintain the electoral registers on behalf of the statutory Electoral Registration Officers (EROs) using national and local databases, as well as information received from other sources, including the annual canvass. Publicity campaigns are run at key times such as prior to elections, the annual canvass, or changes in legislation. The Council has a high return rate of 98-99% for the annual canvass. A service plan has recently been drafted, which includes some performance measures which will help confirm requirements are being met. Training is proactively undertaken by the ERO and the Electoral Services teams. Best practice is demonstrated with respect to data protection.</p> <p>Amendments to processes required by the Elections Act 2022 have been successfully adopted and there is awareness of future requirements. The teams show good awareness of the risks, although</p>

there is opportunity to consolidate the risk registers covering electoral registration and running elections. There are five Electoral Services posts across the two authorities, with two currently vacant and a third imminently so. Two of the vacancies have been advertised. Meanwhile, there are arrangements for additional capacity and mitigation if recruitment is not successful.

Print services for both elections and electoral registration have been provided by the same company for many years, despite the level of expenditure requiring exposure to competition under both Council and national procurement rules.

We agreed one Medium, and two Low priority management actions.

Main Accounting System

The setting and subsequent administration of budgets is well managed, with controls in place and operating. We have made two relatively minor observations, one relating to review of journals over £25k and the other to access rights.

Substantial Assurance

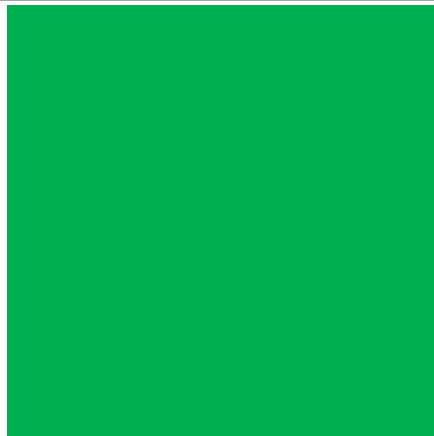
The 2023/24 budgets were approved by Full Council at each authority and the final Budget Books were presented to the Audit Committees. There is a virement process within Financial Procedure Rules for making necessary budget amendments or transfers to other areas.

The table below shows the actual revenue expenditure for SHDC for the last three years:

	2021/22 Actual Spend	2022/23 Actual Spend	2023/24 Current Forecast
SHDC	£9,462,737	£10,407,367	£11,659,067

The year-on-year increase in net budgets is due to several factors, one of the most significant being inflationary pressures across all goods and services. SHDC has experienced cost pressures associated with bringing their waste service back in-house. National pay awards have been higher than usual since 2022/23 and temporary staffing on some teams funded from earmarked reserves (such as housing and planning), as well as increments and regrading, have contributed to higher salary budgets. These and other cost pressures have been partly offset by additional income, for example, from treasury management, planning fees, employment estates and sale of recyclable materials, as well as IT efficiency savings.

In 2021/22 and 2022/23, the actual net spend for the year was lower than the budgeted spend by within 3% or lower.



Budgets are profiled where appropriate to aid effective in year forecasting of year end spend.

Manual journals created by the Finance team do not require authorisation by a second officer. Dual authorisation is recognised as good practice to reduce the risk of error. Both internal and external audit have reported this matter previously, but the risk is accepted by management due to limited staff resource. There are also mitigating controls: all journals over £25k being independently reviewed retrospectively; a quarterly review of all cost centre balances over £30k by the Head of Finance; and the completion of mini closedowns at the end of quarters two and three which require a review of all transactions in every ledger code. We noted the review of journals over £25k had not been undertaken for the first half of 2023/24 due to system report constraints.

We agreed one Medium, and one Low priority management actions.

UK Shared Prosperity Fund

Substantial Assurance

The council had its Investment Plans validated by DLUHC involving a government grant allocation of £1.06m for South Hams. The Council engaged with a wide range of stakeholders to select projects to be funded; these are also aligned with Council corporate strategies.

There is a reporting structure and comprehensive reporting arrangements, from thematic groups to a programme steering group, to the Councils' Programme Board and to member committees. Nominated project officers monitor and co-ordinate day-to-day project delivery. Using funding allowed for this purpose, the councils engaged Devon County Council (DCC) to undertake in depth monitoring and evaluation of the programme to inform the reports sent to the Steering Group and Programme Board.

Appointment of delivery bodies followed Contract Procedure Rules and designated officers are responsible for contract management. Contracts include staged payments aligned to outputs and project progress.

Programme risks are managed in the terms of individual contracts, including clawback clauses in case of under-performance. The review work carried out by DCC includes consideration of risks and proposals to mitigate them. However, no risk register for the UK SPF Grant scheme has been maintained by the council; we have agreed that a Risk and Opportunity Register will be created by the Head of Place and Economy.

All the £2.06m UKSPF funding (for SH and WD) has been allocated to projects over the period. So far £400k has been spent, and only one project has yet to commence, with approval for it expected by mid-November 2023. There is some flexibility in funding; if there are underspends in one theme, funds can be transferred to another or used for other contingency projects. Also, any UKSPF underspend at the end of the Programme can be transferred to the Rural England Prosperity Fund Programme.

We agreed two Medium Priority management actions.

**Creditors
Reasonable Assurance**

The councils continue to meet their legal requirement to pay invoices promptly and within specific creditor payment terms, approximately 98% being paid within 30 days. The Councils attempt to pay local and/or small and medium creditors within ten days of receiving an invoice, as per Government guidance. SHDC paid 98% of all undisputed invoices within 30 days or less for the period April to August 2023, against a target of 97.5%.

The small size of the Finance Business Support team limits the ability to always provide a tangible separation of duties but there are compensating controls. Managers accept the residual risk to support more effective service delivery.

Financial Procedure Rules require official orders to be issued for all work, goods, and services to be supplied to the Councils. There continues to be evidence that officers commissioning goods or services are not always raising orders on a timely basis. This means costs are not committed to the accounts, there is no authorisation prior to the purchase and manual intervention is required to process the invoice.

Work to review National Fraud Initiative (NFI) data matches stopped during the pandemic emergency and was not restarted due to staff resources being diverted to the payment of business grants (over £85.9 million of Government business grants were paid out by the Council). NFI data matches highlight potential, duplicate, or suspicious payments. There is now a backlog which needs addressing to investigate these. The Council is mandated to provide data and pay £2,660 to support the NFI data matching service to prevent and detect fraud by identifying suspicious and duplicate payments. The most recent exercise for 2022/23 identified nearly 4,200 data matches for the council to investigate. About 34% of the matches related to the payment of Covid business grants, as staged payments of the same value were made in many instances, as was the nature of these payments. The Senior Auditor, who assisted in managing the processing of the business grants, has reviewed these and found no issues. The Principal Accountant has been tasked by the Head of Finance with identifying resource to investigate the remaining 66% as these are yet to be investigated.

A completion date of the end of March 2024 has been set.

Aged data continues to be held on the creditors system and other modules of the financial system; implementation of an archiving module to resolve this issue has been delayed until completion of the Civica Financials software upgrade.

Controls over purchases mean a single officer cannot raise an order, certify the receipt of goods or services, and authorise the payment of an invoice. The authorisation limits given individuals were reviewed by the Finance team several years ago but as reported last year, it would be beneficial to repeat the exercise as several officers have very high limits and can authorise payments up to £1m.

For transactions such as grant payments, where no invoice is expected, a payment request form must be completed instead. These are subject to equivalent authorisation and checks as invoices. Data input checks confirm the accuracy of individual creditor accounts and payments. Exception reports are used to ensure output is accurate prior to payment.

We have previously reported that aged data continues to be held on the financial management system. Retention of unnecessary data may compromise system efficiency and is not best practice. Some creditor records include sensitive information as well as personal data. An archiving module has been purchased to allow improved data management, but its testing and implementation has been delayed pending a planned significant upgrade to the financial system, avoiding the need to duplicate the work.

Creditors are usually paid by BACS, which can be authorised only by approved officers, controlled by system access rights and use of smart cards. A small number of creditors are paid by Direct Debit. There is no formal process to allow budget holders to periodically confirm they continue to receive supplies of goods or services paid for by this Direct Debit method. This is being addressed by the Principal Accountant

Faster Payments may be made for urgent payments up to £100k. CHAPS payments, which cost more per transaction, are used for a limited number of high value payments, usually for treasury management and precepts.

Corporate credit cards are also used to pay for goods and services, often for on-line transactions. Annual spend on corporate credit cards is approximately £240k for SHDC. Although there was no evidence of corporate credit card misuse, there remain opportunities to further strengthen controls. Cardholders continue to routinely allow colleagues within their service to use their card in limited circumstances, contrary to guidance, although this is partially mitigated by one-time codes sent to the cardholders' mobile phone which are required to complete all transactions.

We agreed five Medium and three Low priority management actions.

Comments and Complaints

The council has an effective online system to record complaints and the use of Liberty Create software to administer investigations and responses. The information captured is reported to senior management and analysed to provide lessons learned that are used to amend processes and attempt to reduce future complaints.

Reasonable Assurance

Strengths related to the area include:

- An improved website provides comprehensive information for customers and an online process to capture issues.
- Regular weekly reminders are sent to services to identify complaints and encourage a prompt response to complaints.
- Ombudsman complaints are notified to the required officers and senior management and records are retained accurately and securely.
- Regular training has been provided to officers and is frequently updated.
- Lessons learned are recorded and reported to the Extended Leadership Team.
- Work is undertaken to identify and address process issues and reduce recurring complaints.
- Direct feedback is obtained from customers and those completing complaints to improve the process and service issues.

Opportunities to enhance the process are:

- We support plans to review and update the current Complaints Policy and guidance and to link this with added customer service and feedback. It should also be linked to other policies and strategies such as the Communications Strategy.
- Improvements are required on how to respond and store complaints related to officers and other sensitive cases.
- Not all complaints, such as employee complaints, were recorded on Liberty. The process of recording these and other service complaints should be reviewed to ensure they are recorded.
- Ensuring that complainants are contacted within the first five days. Of the cases sampled, most did not include a note that this contact had taken place.
- Some complaints that had exceeded the 30-day target to close the case did not include a suitable response to the complainant or a new date when the complaint would be actioned.

	<ul style="list-style-type: none">• Our previous audit report noted that complaint performance and lessons learned are not reported to members or made available on the website. This is still not in place.• We support the plans to move initial review of complaints to the Contact Centre team to better interact with complainants at the process start and to further improve response times and prompt complaint completion. <p>Comparison of the Stage 1 and 2 complaints received over four years shows a reduction in complaints. We were not able to compare data on how quickly complaints were actioned over the period, but records indicate this is improving, with 66% completed within 20 days in 2022/23 compared to 32% in 2021/22.</p> <p>Domestic waste, development management, council tax and planning enforcement are the services with the highest complaints in descending order.</p> <p>We agreed four Medium, and seven Low priority management actions.</p>
<p>Members Allowances</p> <p>Reasonable Assurance</p>	<p>The council has a Scheme of Members' Allowances outlined in the Constitution as required by law. They are periodically reviewed by an Independent Remuneration Panel before approval by Full Council.</p> <p>The Scheme was most recently reviewed in depth in September 2023, with recommendations presented to Council. Current Scheme allowances are based on an approved indexation to staff pay awards that has exceeded the time duration allowed under the Regulations.</p> <p>Although allowance rates will always differ between SH and West Devon, there is opportunity to align elements of the Schemes with each other and with the rules for officers to bring greater clarity for those administering them and improve control.</p> <p>Members self-certify their expense claims with no outside authorisation. We identified errors on claims which would probably have been identified if authorisation was required. This was a function previously provided by Democratic Services; without sight of claims, officers have lost their ability to provide advice and help members comply with the regulations. There is no formal review or reporting on payments made under the Members' Scheme of Allowances, although the Head of Democratic Services had an awareness of expenditure trends.</p> <p>The internal audit report highlighted that the council hadn't published the annual record of the allowances and expenses paid to each member is not published, as required by the Regulations.</p>

	<p>This has now been corrected and the payments for 2021/22 and 2022/23 have been published on the website. A procedure has been created to trigger this process each year, commencing by notifying members of the data to be published, prior to placing it on the Council's website.</p> <p>A programme of member training is delivered, but some members of the new administration have not yet completed all the mandatory training modules, including IT security. Procedures exist to update the payroll for new or retiring members and the allowances payable.</p> <p>We agreed three Medium and two Low priority management actions.</p>
<p>Batson Development review</p> <p>We do not provide an opinion for this work.</p>	<p>At the request of this committee, we reviewed the Batson development and note:</p> <p>Project completion has been subject to delay of more than a year. It has two elements the business units, and the harbour office. Tenants have now taken up occupation of the business units and are not reporting building or snagging issues. Rents were agreed by the Harbour Board to be at an affordable level and to favour local businesses. The harbour office element is close to completion albeit it has been delayed further due to non-completion of work and subsequent formal voluntary liquidation of the contractor on 9 November and Contract termination on 15 November 2023.</p> <p>The project had a robust contract in place and a project manager to manage the project. There was regular reporting of progress to the Harbour Board, SLT and Capital Programme Board. These discussed the issues with the contractor not engaging to deliver the work. Contract penalties were instigated including withholding payments where deadlines were missed or issuing contract penalty or performance costs. The Capital Programme Board discussed termination of the contract but at the time concluded it was less of a risk and financial impact in staying with the contractor and utilising the project tools available, such as cost recovery and close delivery monitoring to hold the contractor to account. They consider this has mitigated some of the issues.</p> <p>Due to the legal issues in terminating the contract, formal financial evaluations are not currently available. Even with the delays and termination, the expectation is the project will be delivered within the approved capital budget, albeit completion has been delayed. In that assessment, there should be consideration of the economic climate, with the loss of prominent building contractors, a shortage of contractors, and increasing material and labour costs.</p>

Appendix 2 – Progress to deliver the audit plan.

Audit	Business Area	Assurance Opinion	Comments
Final Report issued / Work Completed			
Energy Bill Support Scheme	Strategic Finance	Substantial	
Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
Project Management	Strategy and Governance	Reasonable	
Travel and Subsistence	Strategy and Governance	Reasonable	
Counter Fraud Resilience and Assessment Report	Strategy and Governance	NA	Provided as separate report in Dec 23 meeting.
Devon Building Control Partnership	NA	Reasonable	Organisation hosted by Teignbridge; provided as a partnership for South Hams, West Devon, and Teignbridge.
Treasury Management	Strategic Finance	Substantial	
Main Accounting	Strategic Finance	Substantial	
Comments and Complaints	Customer Services and Delivery	Reasonable	
Electoral Registration	Strategy and Governance	Substantial	
Members Allowances	Strategy and Governance	Reasonable	
Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	

Audit	Business Area	Comments
Draft Report		
Cyber Security	Customer Services and Delivery	
Housing	Place and Enterprise	
Homelessness	Place and Enterprise	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Follow Up of Limited Assurance report
Procurement	Strategy and Governance	Follow Up of Limited Assurance report
Fieldwork		
Social Networking, Communications and Media	Strategy and Governance	We have provided an initial summary report to officers to inform development work. We will provide a formal audit report in Quarter 4.
Recruitment	Strategy and Governance	We have provided an initial summary to officers to inform development work. We will provide a formal audit report in Quarter 4
Building Maintenance and Works – Follow Up	Customer Services and Delivery	We have monthly meetings with officers to discuss work to improve controls and implement our recommendations. An update audit report will be provided in Quarter 4.
Safeguarding	Strategy and Governance	
Salcombe Harbour	Place and Enterprise	
Debtors	Strategic Finance	

Audit	Business Area	Comments
Planning / Not Yet Started		
Business Rates	Customer Services and Delivery	Follow up of Limited Assurance report
Council Tax	Customer Services and Delivery	Follow up of Limited Assurance report
Housing Benefits	Customer Services and Delivery	
Household Waste and Recycling	Customer Services and Delivery	
Contract Management: Waste and Recycling	Customer Services and Delivery	
Car Parking	Customer Services and Delivery	
Corporate Governance	Strategy and Governance	
Culture and Ethics	Strategy and Governance	
Health and Safety	Strategy and Governance	
Planning - Development Management	Strategy and Governance	Include review of S106.
Environmental Services (Health and Safety)	Place and Enterprise	
Commercial Properties and Rents Follow Up	Place and Enterprise	Follow up of Limited Assurance report
Grounds Maintenance	Customer Services and Delivery	
Depot and Stores Control	Customer Services and Delivery	

Audit	Business Area	Comments
Planning / Not Yet Started		
Business Rates	Customer Services and Delivery	Follow up of Limited Assurance report
Council Tax	Customer Services and Delivery	Follow up of Limited Assurance report
ICT / Cyber Security	Customer Services and Delivery	
Housing Benefits	Customer Services and Delivery	
Household Waste and Recycling	Customer Services and Delivery	
Contract Management: Waste and Recycling	Customer Services and Delivery	
Car Parking	Customer Services and Delivery	
Corporate Governance	Strategy and Governance	
Performance Management including KPIs and Data Quality – Follow Up	Strategy and Governance	Follow up of Limited Assurance report
Culture and Ethics	Strategy and Governance	
Health and Safety	Strategy and Governance	
Planning - Development Management	Strategy and Governance	
Debtors	Strategic Finance	
Environmental Services (Health and Safety)	Place and Enterprise	
UK Shared Prosperity Fund	Strategic Finance	
Treasury Management	Strategic Finance	
Commercial Properties and Rents Follow Up	Place and Enterprise	Follow up of Limited Assurance report

Salcombe Harbour	Place and Enterprise	
Grounds Maintenance	Customer Services and Delivery	
Procurement	Strategy and Governance	Follow up of Limited Assurance report
Depot and Stores Control	Customer Services and Delivery	

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REFERRAL TO SOUTH HAMS AUDIT AND GOVERNANCE COMMITTEE DECEMBER 2023

This Internal Audit Charter and Strategy is referred to the Committee for approval.

MISSION

The Mission 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 South Hams 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 and Governance 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 & Governance 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 & 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 Director of Strategic Finance 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 and service areas 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.

CHARTER - PROFESSIONALISM, ETHICS AND INDEPENDENCE (Continued)

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 and Governance 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 and Governance 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.



CHARTER - AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised to have 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:

- (a) make available such documents and records; and
 - (b) 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.
- 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 and Governance Committee, at least annually, the organisational independence of the internal audit activity. The 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 and Governance 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 and Governance Committee, and has the opportunity to meet privately with Committee members if required.

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 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 and Governance 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 and Governance Committee and S.151 Officer;
- 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 and Governance Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- Develop the annual plan through discussions with senior management based on an understanding of the significant risks of the organisation;
- Submit the plan to the Audit and Governance 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 and Governance 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 and Governance 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 and Governance Committee summarising key findings of reviews and the results of follow-ups undertaken;
- Submit an Annual Internal Audit Report to the Audit and Governance Committee, incorporating an opinion on the Council's control environment. This will also inform the Annual Governance Statement.



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

The Council's Audit and Governance Committee will act as "the Board" as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit and Governance Committee are set out in the Council's Constitution.

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 and Governance Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit and Governance 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 and Governance 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. For DAP this was conducted at the end of 2021 by the Head of Southwest London Audit Partnership, and the Chief Internal Auditor of Orbis (a partnership organisation covering Brighton and Hove, East Sussex, and Surrey County Council).

The assessment result was that *“Based on the work carried out, it is our overall opinion that DAP generally conforms* with the Standards and the Code of Ethics”*.

The report noted that *“As a result of our work, a small number of areas where partial conformance was identified. These were minor observations, none of which were significant enough to affect the overall opinion”*.

DAP is actively addressing these improvement areas which include: Develop the use of data analytics; rotate staff across clients; consider how to support the development of audit committees; consider a range of cross partner audits, and share best practice; review current arrangements for the delivery of IT audit to ensure maximum value; develop the role of Senior Auditors.

* **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 and Governance 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 and Governance Committee.

The HoDAP will also provide a written annual report to the Audit and Governance 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 and Governance 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 & 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 and Governance Committee.
- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment).
- 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 and Governance 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 & QUALITY ASSURANCE (2)

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

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Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit and Governance 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)	This meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration each June. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit and Governance Committee.	Presentation / update is clear and concise. Presenter was knowledgeable on the 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

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 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: -

- 4 x Chartered Accountants
- 7 x qualified IIA (CMIIA and PIIA)
- 1 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT (qualified and part qualified)
- 6 x ACFS / ACFT (accredited counter fraud specialists)
- 5 x ILM (Institute of Leadership & Management) level 5 or above
- 5 Apprentices (Finance, Data Analyst, IIA, Business Admin)

AUDIT STRATEGY - STAFF DEVELOPMENT AND TRAINING AND USE OF IDEAGEN 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 Ideagen 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.

Report to: **Audit and Governance Committee**

Date: **14 December 2023**

Title: **Summary Accounts 2022/2023
(Draft, Unaudited)**

Portfolio Area: **Finance – Cllr J Brazil**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **7 March 2024**

Author: **Pauline Henstock** Role: **Head of Finance Practice and Deputy S.151 Officer**

Contact: **1803 77 pauline.henstock@swdevon.gov.uk**

RECOMMENDATIONS:

- 1. That the Summary Accounts (Draft, Unaudited) for the financial year ended 31 March 2023 are noted; and**
- 2. That the Committee RECOMMEND to Council to note the production of Summary Accounts (Draft, Unaudited) for 2022/23. These Summary Accounts have been prepared at the request of the Audit and Governance Committee for the ease of public consumption and to further the transparency and readability of the Council’s financial position.**

1. Executive summary

- 1.1 The Draft (Unaudited) Statement of Accounts were presented to the Audit and Governance Committee on 27 July 2023.
- 1.2 This report provides Members with a summarised version of the draft (unaudited) accounts, including the main statements and key points from 2022/23.
- 1.3 A surplus of £57,000 was generated in 2022/2023 which was transferred to the General Fund Balance (un-earmarked revenue reserve). The level of this reserve stands at £2.113 million at 31 March 2023.

2. Background

- 2.1 In light of the length of the statutory accounts, Members of the Audit and Governance Committee requested a shortened version. This summary of the draft Accounts in Appendix A is a more user friendly document which can be easily read by members of the public and our businesses to get an understanding of the financial position of the Council for 2022/23.
- 2.2 The Statement of Accounts is prepared in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is recognised by statute as representing proper accounting practice. Due to the statutory nature of the accounts there is very little freedom to reduce the length of the main document or change the statutory format of the accounts, which can be a challenge for the reader due to its length, technical wording and complexity.

3. Outcomes/outputs

- 3.1 The Audited Statement of Accounts should be brought to the Audit and Governance Committee by 30 September 2023 but the 2022/23 audit has been delayed by Grant Thornton due to their lack of staffing capacity. The 2022/23 audit started in November 2023 and Grant Thornton are on target to complete the audit at the end of January 2024.

4. Proposed Way Forward

- 4.1 Following the Audit, the Audited Statement of Accounts will be brought back to the Audit and Governance Committee for approval in March 2024.

5. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Statutory Powers that apply to this report are Section 151 Local Government Act 1972 Section 21 (12), Local Government Act 2003 and the Accounts and Audit (England) Regulations 2015.

Financial implications to include reference to value for money		<p>The financial implications to this report are that a surplus of £57,000 was generated in 2022/2023. This means that the Council's actual net spend for 2022/2023 was 0.5% less than the budget set for the year.</p> <p>As part of Grant Thornton's external audit of the Statement of Accounts for 2022/2023, they will assess the arrangements the Council has in place for:-</p> <ul style="list-style-type: none"> • Improving economy, efficiency and effectiveness • Financial Sustainability • Governance <p>The outcome of Grant Thornton's work is a separate item on this Audit and Governance Committee agenda - the 'Annual Audit Report'.</p>
Risk		<p>Public Accountability – the accounts have been drawn up in strict accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is recognised by statute as representing proper accounting practice.</p> <p>Resource Planning – the Council takes into account any significant issues when developing the Council's Medium Term Financial Strategy.</p>
Supporting Corporate Strategy		<p>The Annual Statement of Accounts support all of the Delivery Plans within the Council's strategic vision, 'Better Lives for All'.</p> <p>In particular for the 'Council Theme', the Accounts summarise how the Council is delivering efficient and effective services and demonstrating strong financial management and strategic financial planning. Our Guiding Principles of the Corporate Strategy are 'to provide value for money and good customer service'.</p>
Climate Change - Carbon / Biodiversity Impact		None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.

Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information

Appendices:

Appendix A – Summary Accounts 2022/23 (Draft, Unaudited)

Background Papers:

None

Summary Accounts 2022/23 (Draft, Unaudited)



South Hams
District Council

Actual 2021/22 Restated £000	COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	Actual 2022/23 £000
Spending on Services		
7,431	Customer Service & Delivery* (mainly frontline services such as Waste and Recycling, Grounds Maintenance and Revenues and Benefits)	12,049
1,386	Strategic Finance (including Pension Costs, Corporate Management and Finance)	1,886
2,909	Place & Enterprise** (including Housing, Car Parking, Dartmouth Lower Ferry, Salcombe Harbour, Assets and Environmental Health)	4,698
2,632	Governance & Assurance (including Planning, Land Charges, Elections, Legal Services, Democratic Services and Insurance)	3,055
14,358	Cost of Services	21,688
(6,776)	Removal of technical accounting adjustments e.g. depreciation, revaluation and IAS19 retirement benefits	(8,559)
7,582	Cost of Services – excluding technical accounting adjustments	13,129
Income from Investments and other Adjustments		
(910)	Investment Properties	(911)
(140)	Interest and Investment Income	(1,146)
852	Interest payable and repayment of principal debt	859
2,254	Other adjustments	(1,507)
9,638	Net Cost of Services – to be met by local taxation and government grants	10,424
Income from local taxes and government grants		
(6,719)	Council Tax income	(7,061)
30	Deficit/(Surplus) on Council Tax Collection Fund	(181)
(2,653)	Business Rates	(2,574)
(510)	Non ringfenced government grants	(665)
(9,852)	Total income from local taxes and government grants	(10,481)
(214)	Surplus for the year (to be added to the General Fund Balance)	(57)

THE COST OF COUNCIL SERVICES FOR 2022/23

The Comprehensive Income and Expenditure Account (CIES) details the cost of running Council Services between 1 April 2022 and 31 March 2023, where the money came from to finance those costs along with the surplus at the year end.

* The increase in Customer Service and Delivery expenditure in 2022/23 of £4.7m includes the cost of bringing the Waste & Recycling Service back in house from October 2022 and some one-off transitional costs for this service.

** The increase in Place & Enterprise expenditure mainly relates to payment of the Green Homes grant of £0.91m in 2022/23.

The 2022/23 budget for South Hams was £10.464m but the actual net spend was 0.5% lower, providing a surplus of £57,000 for the year.

SUMMARY OF THE FINANCIAL POSITION 2022/23

There were a number of factors which contributed to the overall surplus of £57,000 in 2022/23. These can be summarised as follows:

In 2022/23 the Council incurred additional costs and a shortfall in income of £1.915m (equating to 18% of the Council's net budget of £10.464m). Many of the additional costs were as a result of the current economic climate with high inflation and the cost of living crisis. The extra costs incurred in the year included the impact of the local government pay award (£0.41m) and extra inflation (over the amount budgeted) for the waste contract, utility costs, IT costs and insurance costs totalling (£0.557m). In addition, the Council experienced a shortfall in planning income of £0.35m.

These extra costs and shortfall in income were offset by the Council generating additional investment income from treasury management of £1.023m, as a result of the Council realising the opportunity from high interest rates. Overall, £1.972m of additional income (equating to 19% of the Council's net budget of £10.464m) was generated from the extra investment income, additional net income from car parking from extra usage, high occupancy rates and regular rent reviews generating extra income from the Council's employment estates and additional income from the Dartmouth Lower Ferry.

The difference between the higher costs and the additional income achieved in 2022/23 equates to the overall surplus of £57,000.

Waste Service

There were exceptional one-off transitional costs of £1.5m in 2022/23 for bringing the waste and recycling service back in house in October 2022. This was referenced in reports to Council on 12 July and 22 September 2022 and had the support of the cross party Waste Working Group. The £1.5m was funded from the business rates retention reserve which was approved by Council prior to the waste service being brought back in-house in October 2022. In addition a further £0.5m was spent on one-off project implementation costs, with the Council receiving third party funding towards these costs. There has been a fundamental improvement in performance for the waste and recycling service, such that in February 2023, for the first time in over 3 years, the service achieved the national industry standard performance target of no more than 80 missed bins per 100,000 collections.



BORROWING

In 2022/23 the long term borrowing of the Council reduced from £14.284m (2021/22) to £13.825m. Short term borrowing increased from £0.096m to £0.459m. This is due to the profiling of the debt repayments where long term borrowing has moved to short term borrowing. Total borrowing as at 31 March 2023 has reduced from £14.380m to £14.284m. No further external borrowing took place during 2022/23.

BALANCE SHEET

The Balance Sheet shows what the Council owns, owes or is owed.

2021/22 £000	BALANCE SHEET	2022/23 £000
Net Assets		
99,140	Building, Land & Assets owned by the Council	105,456
8,941	Money Owed to the Council	9,095
34,105	Investments – long term and short term*	20,526
22,981	Cash and Cash Equivalents*	14,709
(33,883)	Money Owed by the Council*	(17,290)
(1,494)	Provisions – Business Rates Appeals	(901)
(52,621)	Pension (Liability)/Asset**	162
(5,717)	S106 Deposits	(6,643)
(14,380)	Borrowing – long term and short term	(14,284)
57,072	Total Net Assets	110,830
FINANCED BY:		
Usable Reserves		
2,056	General Fund Balance	2,113
20,839	Earmarked Reserves***	15,424
3,454	Capital Reserves	3,329
Unusable Reserves		
85,603	Capital Finance & Revaluation of Assets	86,936
(2,209)	Collection Fund Adjustment Accounts	3,957
(52,621)	Pension Reserve**	162
(50)	Other Unusable Reserves	(1,091)
57,072	Total Reserves – Usable and Unusable	110,830

* The reduction in investments, cash and cash equivalents and money owed by the Council as at 31 March 2023 partly relates to the timing of the Council Tax energy rebate grant (£4.51m) which was received at the end of 2021/22 and the payments were made on behalf of Central Government at the beginning of 2022/23. In addition the Council also administered various Business Grants on behalf of Central Government in 2021/22 and part of the reduction in investments, cash and cash equivalents and money owed by the Council relates to unapplied funding being repaid to Central Government in 2022/23.

** As at 31 March 2023, the Council had a Pension Asset of £0.162million. This is a significantly improved position than the previous year (pension liability of £52.621 million). This is as a result of the actuary reducing life expectancy projections and an increase in interest rates affecting the discount rate for liabilities.

*** Earmarked reserves have reduced by £5.4m in 2022/23. This mainly relates to an accounting adjustment in respect of Business Rates (£3.07m), transitional costs for the Waste and Recycling service of £1.45m and capital expenditure of £1.083m.

CAPITAL PROGRAMME

Capital expenditure represents monies spent on the purchase, construction or major refurbishment of assets. The Council's capital expenditure amounted to £9.379m in 2022/23. The main areas of expenditure were Dartmouth Health and Wellbeing Hub (£3.83m), St Ann's Chapel housing scheme (£1.56m), residential renovation grants (£1.14m), Green Homes grants (£0.91m) and Batson Harbour Depot/Commercial Units (£0.78m).

A breakdown of the main types of capital expenditure and the sources of funding are shown below:

2021/22 £000	CAPITAL PROGRAMME FOR THE YEAR	2022/23 £000
Capital Expenditure		
15	Property	410
137	Other Land	207
730	Plant & Equipment	358
166	IT Software	95
1,114	Disabled Facilities Grants & Regulatory Reform Order Grants	1,136
-	Green Homes Grants	914
87	Other Private Housing	94
1,742	Assets Under Construction e.g. Dartmouth Health and Wellbeing Hub	6,165
3,991	Total expenditure for capital purposes	9,379
Sources of Finance		
(673)	Capital Receipts	(179)
(1,156)	Government Grants and Other Contributions	(2,596)
(1,019)	Earmarked Reserves	(1,083)
(123)	Revenue	(50)
(1,020)	Borrowing from previous years used for capital projects	(5,471)
(3,991)	Total capital financing	(9,379)

The full set of draft (unaudited) accounts for 2022/23 can be found at the following link on the Council's website:

www.southhams.gov.uk/your-council/budgets-and-finance/budgets-and-spending/annual-accounts

Report to: **Audit and Governance Committee**

Date: **14th December 2023**

Title: **Treasury Management Mid-Year Review**

Portfolio Area: **Cllr Brazil - Finance**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: **N/A**

Author: **Clare Scotton** Role: **Principal Accountant**
Pauline Henstock **Head of Finance Practice**

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pauline.henstock@swdevon.gov.uk

RECOMMENDATION:

It is RECOMMENDED that the Audit Committee resolves to endorse the contents of the report.

1. Executive summary

1.1 To date, the Council has outperformed against the industry benchmark by 0.12%. The Council has achieved a rate of return of 4.83%, against the Sterling Overnight Interbank Average (SONIA) rate of 4.71%. The Council's budget for investment interest of £800,000 for 2023/24. The current forecast is £1,575,000 which will exceed the budget by £775,000.

2. Background

2.1 The Council operates a balanced budget, which broadly means cash raised during the year will meet its cash expenditure. Part of the treasury management operations ensure this cash flow is adequately planned, with surplus monies being invested in low risk counterparties, providing adequate liquidity initially before considering maximising investment return.

2.2 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer term cash may involve arranging long or short term loans or using longer term cash flow surpluses.

2.3 Treasury management is defined as:

"The management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."

2.4 The Council's Finance Procedure Rules require that a report be taken to the Audit Committee three times a year on Treasury Management. The specific reporting requirements are:

- An annual treasury strategy in advance of the year (Council 30/03/2023 – 73/22)
- A mid-year (minimum) treasury update report (This report)
- An annual review following the end of the year describing the activity compared to the strategy.

2.5 The CIPFA (Chartered Institute of Public Finance and Accountancy) Code of Practice for Treasury Management recommends that Members be updated on treasury management activities regularly (i.e. Treasury Management Strategy Statement (TMSS), annual and midyear reports). This report therefore ensures this Council is implementing best practice in accordance with the Code.

3. Economics and Interest Rates

Economics Update

3.1 The first half of 2023/24 saw:

- Interest rates rise by a further 100bps, taking Bank Rate from 4.25% to 5.25% and, possibly, the peak in the tightening cycle.
- Short, medium and long-dated gilts remain elevated as inflation continually surprised to the upside.
- A 0.5% m/m decline in real GDP in July, mainly due to more strikes.
- CPI inflation falling from 8.7% in April to 6.7% in August, its lowest rate since February 2022, but still the highest in the G7.
- Core CPI inflation declining to 6.2% in August from 7.1% in April and May, a then 31 years high.

- A cooling in labour market conditions, but no evidence yet that it has led to an easing in wage growth (as the 3myy growth of average earnings rose to 7.8% in August, excluding bonuses).

Interest Rate Forecast

3.2 The Council's treasury advisor, Link Group, has provided the following forecast.

Link Group Interest Rate View	25.09.23												
	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26
BANK RATE	5.25	5.25	5.25	5.00	4.50	4.00	3.50	3.00	2.75	2.75	2.75	2.75	2.75
3 month ave earnings	5.30	5.30	5.30	5.00	4.50	4.00	3.50	3.00	2.80	2.80	2.80	2.80	2.80
6 month ave earnings	5.60	5.50	5.40	5.10	4.60	4.10	3.60	3.10	2.90	2.90	2.90	2.90	2.90
12 month ave earnings	5.80	5.70	5.50	5.20	4.70	4.20	3.70	3.20	3.00	3.00	3.00	3.00	3.00
5 yr PWLB	5.10	5.00	4.90	4.70	4.40	4.20	4.00	3.90	3.70	3.70	3.60	3.60	3.50
10 yr PWLB	5.00	4.90	4.80	4.60	4.40	4.20	4.00	3.80	3.70	3.60	3.60	3.50	3.50
25 yr PWLB	5.40	5.20	5.10	4.90	4.70	4.40	4.30	4.10	4.00	3.90	3.80	3.80	3.80
50 yr PWLB	5.20	5.00	4.90	4.70	4.50	4.20	4.10	3.90	3.80	3.70	3.60	3.60	3.60

3.3 The latest forecast shown above sets out a view that short, medium and long-dated interest rates will be elevated for some little while, as the Bank of England seeks to squeeze inflation out of the economy.

4. Treasury Management Strategy Statement

4.1 The Treasury Management Strategy Statement (TMSS) for 2023/24, was approved by the Council on 30/03/23 – 73/22. It sets out the Council's investment priorities as being:

- Security of capital;
- Liquidity; and
- Yield.

4.2 The Council will also aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity. In the current economic climate it is considered appropriate to keep investments short term to cover cash flow needs, but also to seek out value available in periods up to 12 months with highly credit rated financial institutions, using our suggested creditworthiness approach, including a minimum sovereign credit rating, and Credit Default Swap (CDS) overlay information.

4.3 There are no policy changes to the TMSS; the details in this report update the position in the light of the updated economic position and budgetary changes already approved.

5. Investment Portfolio 2023/24

5.1 The Council held £34.736m of investments as at 30 September 2023 (£56.52m at 31 March 2023) and the investment portfolio yield for the first six months of the year is 4.83% against a benchmark (SONIA rate) of 4.71%. The £34.736m of investments is made up of Money Market Funds, Fixed Term Deposits and Property Funds.

A full list of investments held as at 30 September 2023 is shown below:

Money Market Funds

Amount £	Investment	Average Interest rate
4,900,000	BlackRock ICS-Inst GBP	4.73%
6,000,000	LGIM Sterling Liquidity Fund	4.65%
10,900,000	Total Money Market Funds	

The Council currently has three Money Market Funds. The money market funds allow immediate access to the Council's funds and spreads risk as it is pooled with investments by other organisations and invested across a wide range of financial institutions.

Fixed Term Deposits – Current

Counterparty	Fixed to	£	Interest Rate
Standard Chartered	05/01/2024	6,000,000	5.89%
Lloyds NRFB	28/03/2024	6,000,000	5.66%
Natwest NRFB	24/11/23	4,200,000	5.12%
Debt Management Office	19/10/2023	1,000,000	5.24%
Debt Management Office	19/10/2023	1,300,000	5.26%
Debt Management Office	19/10/2023	4,500,000	5.25%
Debt Management Office	19/10/2023	1,000,000	5.26%
Total Fixed Term Deposits		24,000,000	

5.2 The Council's Investments mid-way through the year are always higher than at the end of the year (at 31st March) due to the cash flow advantage that the Council benefits from part way through the year.

This is, in part, due to the timing differences between the Council collecting council tax income and paying this over to major precepting authorities such as Devon County Council, the Police and the Fire Authority

The Council's current counterparty limit is £6 million (£7 million for Lloyds plc).

Property Funds

Amount* £	Investment	Dividend Yield
1,298,526	CCLA – Property Fund (original investment of £1.5million)	4.66%
1,823,277	CCLA – Diversified Income Fund (original investment of £2million)	3.39%
3,121,803	Total Property Funds	

*Investment value as at 30 September 2023

5.3 The CCLA Investments experienced a downward revaluation in 2022/23. The outlook for global economic growth continues to be weaker. Inflation is likely to remain above target rates for some time, interest rates in most areas will still be negative in real terms. This backdrop placed some downward pressure on investments during 2022. CCLA will maintain the portfolio's emphasis on real assets such as good quality equities and alternatives, adding selectively to fixed income as attractive opportunities are identified to support continues performance for this long term investment.

5.4 These investments have yielded returns of 4.66% and 3.39% as shown above. Due to the nature of these investments they are long term strategic investments (the Council does not currently intend to sell them) and the Council elected to designate them as fair value through other comprehensive income. This election means that there is no impact on the revenue budget of changes in their valuation. Any gains or losses on the valuation of the CCLA investments are transferred to a Financial Instruments Revaluation Reserve. This is classed as an unusable reserve.

5.5 The Chief Financial Officer confirms that the approved limits within the Annual Investment Strategy were not breached during the first six months of 2023/24. The Council's budgeted investment return for 2023/24 is £800,000 and based on performance for the year to date, this is expected to be exceeded by £1,575,000.

Investment Counterparty Criteria

5.5 The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

Borrowing Position

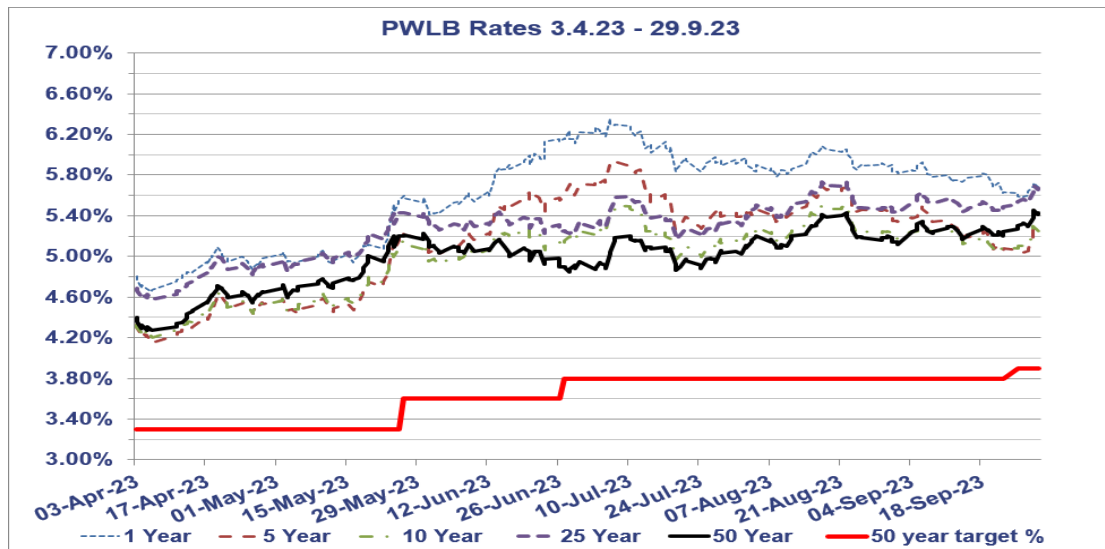
5.6 The Council's capital financing requirement (CFR) for 2023/24 is £21.5million. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions.

A summary of the Council's debt position at 30 September 2023 compared with 31 March 2023 is shown in the table below:

Lender	Maturity	Interest Rate %	Principal held at 31 March 2023 £'000	Principal held at 30 Sept 2023 £'000
PWLB – Maturity Borrowed in May 2018 (23 maturity loans)	5-19 Years	2.41*	5,490	5,130
PWLB – Annuity Borrowed in September 2019	50 Years	1.97	3,829	3,778
PWLB – Annuity Borrowed in December 2019	50 Years	3.09	4,965	4,917
Total			14,284	13,825

*Average interest rate

5.7 Gilt yields and PWLB certainty rates were on a generally rising trend throughout the first half of 2023/24. At the beginning of April, the 5-year rate was the cheapest part of the curve and touched 4.14% whilst the 25-year rate was relatively expensive at 4.58%.



	1 Year	5 Year	10 Year	25 Year	50 Year
Low	4.65%	4.14%	4.20%	4.58%	4.27%
Date	06/04/2023	06/04/2023	06/04/2023	06/04/2023	05/04/2023
High	6.36%	5.93%	5.51%	5.73%	5.45%
Date	06/07/2023	07/07/2023	22/08/2023	17/08/2023	28/09/2023
Average	5.62%	5.16%	5.01%	5.29%	5.00%
Spread	1.71%	1.79%	1.31%	1.15%	1.18%

Local Authorities are required to submit a summary of their planned capital spending and PWLB borrowing for the following three years. This is updated on at least an annual basis. In March of each year, Council approves its Capital Strategy, Investment Strategy and Treasury Management Strategy. PWLB borrowing is permitted in the future for the four categories of regeneration, service delivery, housing and refinancing.

Debt Rescheduling

5.8 Debt rescheduling opportunities have increased over the course of the past six months and will be considered if giving rise to long-term savings. However, no debt rescheduling has been undertaken to date in the current financial year.

6. Outcomes/outputs

6.1 The Council's budget for investment interest of £800,000 for 2023/24 is expected to be exceeded. A forecast of £1,575,000 will exceed this budget by £775,000.

6.2 Industry performance is judged and monitored by reference to a standard benchmark; this is the Sterling Overnight Interbank Average rate (SONIA). The average SONIA rate at the end of September was 4.71% which is 0.12% higher than our average return of 4.83% as at 30 September 2023.

7. Options available and consideration of risk

7.1 The Treasury Management Strategy is risk averse with no investments allowed for a period of more than a year and very high credit rating is required, together with a limit of £6m per counterparty. This has resulted in only a small number of institutions in which the Council can invest (see Appendix A).

7.2 The Council's treasury management activities and interest rates are reviewed daily to ensure cash flow is adequately planned with surplus funds being invested in low risk counterparties, providing adequate liquidity initially before considering optimising investment return.

7.3 The 2018 CIPFA Codes and guidance notes have placed enhanced importance on risk management. Where an authority changes its risk appetite e.g. for moving surplus cash into or out of certain types of investment funds or other types of investment instruments, this change in risk appetite and policy will be brought to Members' attention in treasury management update reports.

8. Proposed Way Forward

8.1 The Council's treasury activities and interest rates will continue to be monitored daily and appropriate action taken to mitigate risk whilst optimising investment return where possible.

9. Compliance with Treasury Limits and Prudential Indicators

9.1 During the financial year the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Policy Statement and annual Treasury Strategy Statement. The Council's Prudential Indicators for 2023/24 are detailed and shown in Appendix B.

10. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Statutory Powers that apply to this report are the Local Government Act 1972 Section 151 and the Local Government Act 2003.
Financial implications to include reference to value for money	Y	To date, the Council has underperformed the industry benchmark by 0.12%. The Council has achieved a rate of return of 4.83%, against the Sterling Overnight Interbank Average rate (SONIA) of 4.71%. The Council's investment income target of £800,000 for 2023/24 is expected to be exceeded by £775,000.

Risk		<p>The security risk is the risk of failure of a counterparty. The liquidity risk is that there are liquidity constraints that affect the interest rate performance. The yield risk is regarding the volatility of interest rates/inflation.</p> <p>The Council has adopted the CIPFA Code of Practice for Treasury Management and produces an Annual Treasury Management Strategy and Investment Strategy in accordance with CIPFA guidelines.</p> <p>The Council engages a Treasury Management advisor and a prudent view is always taken regarding future interest rate movements. Investment interest income is reported quarterly to SLT and the Executive through the quarterly budget monitoring reports.</p>
Supporting Corporate Strategy		The treasury management function supports all of the Thematic Delivery Plans within 'Better Lives for all'.
Climate Change – Carbon/Biodiversity Impact		No direct carbon/biodiversity impact arising from the recommendations.
<i>Comprehensive Impact Assessment Implications</i>		
Equality and Diversity		None directly arising from this report.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

Supporting Information
Appendices:

Appendix A – Lending list as at 30th September 2023
Appendix B – Prudential and Treasury Indicators 2023/24

APPENDIX A

Counterparty as at 29th Sept 2023		Fitch Rating				Moody's Ratings			S&P Ratings		Suggested Duration		
		Long Term	Short Term	Viability	Support	Long Term	Short Term	Long Term	Short Term				
United Kingdom													
AAA Rated and Government Backed Securities	Collateralised LA Deposit*										Y - 60 mths		
	Debt Management Office										Y - 60 mths		
	Multilateral Development Banks										Y - 60 mths		
	Supranationals										Y - 60 mths		
	UK Gilts										Y - 60 mths		
Building Societies	AI Rayan Bank PLC	SB				NO	A1	P-1			P - 6 mths		
	Bank of Scotland PLC (RFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	Barclays Bank PLC (NRFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	Barclays Bank UK PLC (RFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	Close Brothers Ltd	NO	A-	F2	a-	WD	SB	Aa3	P-1				P - 6 mths
	Clydesdale Bank PLC	PO	A-	F2	bbb+	WD	SB	A3	P-2	SB	A-	A-2	G - 100 days
	Co-operative Bank PLC (The)	SB	BB	B	bb-	WD	PO	Ba1	NP				N/C - O mths
	Goldman Sachs International Bank	SB	A+	F1		WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	Handelsbanken Plc	SB	AA	F1+		WD				SB	AA-	A-1+	O - 12 mths
	HSBC Bank PLC (NRFB)	SB	AA-	F1+	a	WD	SB	A1	P-1	SB	A+	A-1	O - 12 mths
	HSBC UK Bank Plc (RFB)	SB	AA-	F1+	a	WD	SB	A1	P-1	SB	A+	A-1	O - 12 mths
	Lloyds Bank Corporate Markets Plc (NRFB)	SB	A+	F1		WD	SB	A1	P-1	SB	A	A-1	P - 6 mths
	Lloyds Bank Plc (RFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	National Bank of Kuwait (International) PLC	SB	A+	F1		WD				SB	A	A-1	P - 6 mths
	NatWest Markets Plc (NRFB)	SB	A+	F1	WD	WD	SB	A1	P-1	SB	A	A-1	P - 6 mths
	Santander Financial Services Plc (NRFB)	SB	A+	F1		WD	NO	A1	P-1	SB	A-	A-2	P - 6 mths
	Santander UK PLC	SB	A+	F1	a	WD	NO	A1	P-1	SB	A	A-1	P - 6 mths
	SMBC Bank International PLC	SB	A-	F1		WD	SB	A1	P-1	SB	A	A-1	P - 6 mths
Standard Chartered Bank	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths	
Building Societies	Coventry Building Society	SB	A-	F1	a-	WD	SB	A2	P-1				P - 6 mths
	Leeds Building Society	SB	A-	F1	a-	WD	SB	A3	P-2				G - 100 days
	Nationwide Building Society	SB	A	F1	a	WD	SB	A1	P-1	SB	A+	A-1	P - 6 mths
	Principality Building Society	SB	BBB+	F2	bbb+	WD	SB	Baa1	P-2				N/C - O mths
	Skipton Building Society	SB	A-	F1	a-	WD	SB	A2	P-1				P - 6 mths
	West Bromwich Building Society						SB	Ba3	NP				N/C - O mths
Yorkshire Building Society	SB	A-	F1	a-	WD	PO	A3	P-2				G - 100 days	
Nationalised and Part Nationalised Banks	National Westminster Bank PLC (RFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	B - 12 mths
	Royal Bank of Scotland Group Plc (RFB)	SB	A+	F1	a	WD	SB	A1	P-1	SB	A+	A-1	B - 12 mths

Key	
Watches and Outlooks	Duration
SB Stable Outlook	Yellow - Y 60 Months
NO Negative Outlook	Blue - B 12 Months
NW Negative Watch	Orange - O 12 Months
PO Positive Outlook	Pink - P 6 Months
PW Positive Watch	Green - G 100 Days
EO Evolving Outlook	
EW Evolving Watch	

APPENDIX B

PRUDENTIAL AND TREASURY INDICATORS 2023/24

The Council's capital expenditure plans are the key driver of treasury management activity. The outputs of the capital expenditure plans are reflected in prudential indicators, which are designed to assist members to overview and confirm capital expenditure plans.

Capital Expenditure

This prudential Indicator is a summary of the Council's capital expenditure.

	2022/23 Actual £000	2023/24 Budget £000	2023/24 Estimate £000
General Fund services	9,379	12,312	10,468
TOTAL	9,379	12,312	10,468

The table below summarises the financing of the Council's capital programme.

	2022/23 Actual £000	2023/24 Budget £000	2023/24 Estimate £000
External sources	2,596	1,604	4,241
Own resources	1,312	3,478	2,751
Debt	5,471	7,230	3,476
TOTAL	9,379	12,312	10,468

The Council's Borrowing Need (the Capital Financing Requirement)

The Council's cumulative outstanding amount of debt finance is measured by the Capital Financing Requirement (CFR). This increases with new debt-financed capital expenditure and reduces with MRP and capital receipts used to replace debt.

	2022/23 Actual £000	2023/24 Budget £000	2023/24 Estimate £000
General Fund services	18,520	26,253	21,507
TOTAL CFR	18,520	26,253	21,507

The Council's Gross Debt and the Capital Financing Requirement

Statutory guidance states that debt should remain below the capital financing requirement, except in the short-term. As can be seen from the indicator below, the debt is lower than the CFR by £7.68m in the forecast for 2023/24.

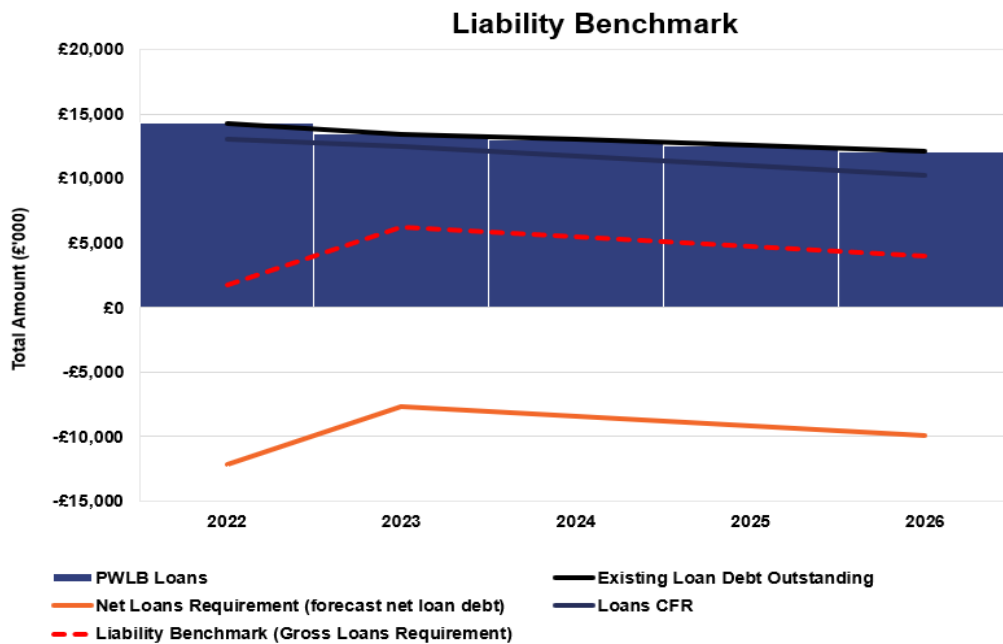
	2022/23 Actual £000	2023/24 Budget £000	2023/24 Estimate £000
Debt	14,284	18,465	13,825
Capital Financing Requirement	18,520	26,253	21,507

Liability Benchmark

A third and new prudential indicator for 2023/24 is the Liability Benchmark (LB). The Council is required to estimate and measure the LB for the forthcoming financial year and the following two financial years, as a minimum.

There are four components to the LB: -

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the Authority's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.



Borrowing is currently above the liability benchmark which will be utilised when future capital schemes in the Capital Strategy are delivered.

AFFORDABILITY PRUDENTIAL INDICATORS

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans.

These provide an indication of the impact of the capital investment plans on the Council's overall finances.

Ratio of financing costs to net revenue stream

Although capital expenditure is not charged directly to the revenue budget, interest payable on loans and MRP are charged to revenue, offset by any investment income receivable. The net annual charge is known as financing costs; this is compared to the net revenue stream i.e. the amount funded from Council Tax, business rates and general government grants.

	2022/23 Actual	2023/24 Budget	2023/24 Estimate
Financing costs (£m)	(296,783)	*98,845	** (731,498)
Proportion of net revenue stream	(2.8%)	0.8%	(6.2%)

* The budgets were prepared in January 2023. The forecast income from investments is £1,575,000 which is £775,000 higher than the budget of £800,000. This is due to successive increases in the bank base rate. As at September 2023 the Council is achieving 4.83% return from its treasury management investments. In addition to this the Council has taken out no external borrowing in 2023/24 and therefore financing costs are lower than previously estimated.

** This is made up of interest payments totalling £355k plus MRP totalling £489k less investment income of £1.575m

TREASURY INDICATORS: LIMITS TO BORROWING ACTIVITY

The Operational Boundary – This is the limit beyond which external debt is not normally expected to exceed. This is the maximum level of external debt for cash flow purposes.

Operational Boundary	2022/23	2023/24
	£	£
Borrowing	50,000,000	35,000,000
Other long term liabilities	-	-
Total	50,000,000	35,000,000

As part of the Treasury Management Strategy Statement for 2023/24, Members approved an Operational Boundary Limit of £35 million for 2023/24.

The Authorised Limit for External Debt – A further key prudential indicator represents a control on the overall level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by Full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

This provides headroom over and above the operational boundary for unusual cash movements. This is the maximum amount of money that the Council could afford to borrow.

This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

Authorised limit	2022/23	2023/24
	£	£
Borrowing	75,000,000	40,000,000
Other long term liabilities	-	-
Total	75,000,000	40,000,000

South Hams District Council's current level of borrowing as at 30 September 2023 was £14.28 million.

As part of the Treasury Management Strategy Statement for 2023/24, Members approved an overall Borrowing Limit of £40 million for 2023/24.

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Report to: **Audit & Governance Committee**

Date: **14th December 2023**

Title: **Strategic Risk Update and Framework**

Portfolio Area: **Councillor Julian Brazil**
Leader of the Council

Wards Affected: **All**

Author: **Neil Hawke** Role: **Assistant Director – Strategy**

Contact: Neil.Hawke@swdevon.gov.uk

RECOMMENDATIONS

That the Audit & Governance Committee:

- 1. Consider the updated Risk and Opportunity Management Strategy (Appendix A);**
- 2. RECOMMEND to Council that the updated Risk and Opportunity Management Strategy be adopted; and**
- 3. Consider the updated Strategic Risk Register (Appendix B)**

1. Executive summary

- 1.1 The Council has an adopted Risk and Opportunity Management Strategy which has been in place since 2018.
- 1.2 The strategy has been updated with a particular focus on ensuring that risk reporting and escalation procedures and responsibilities are accurately reflected. The updated strategy can be found at Appendix A to this report.
- 1.3 This report also sets out an update to the Strategic Risk Register for the Council which can be found at Appendix B to this report.

2. Background

- 2.1 The Audit and Governance Committee receive six-monthly updates on the Council's Strategic Risk Register.
- 2.2 Strategic Risks are those that are subject to significant management actions, control, evaluation and monitoring. The Strategic Risk register forms only part of the overall risk management approach with each service and project having its own operational risk register.

- 2.3 The Council's adopted Risk and Opportunity Management Strategy has been in place since 2018. While the strategy has served the Council well, it is considered that it requires an update to reflect enhancements to the internal governance and structures of the Council.
- 2.4 Officers of the Council and Devon Audit Partnerships Risk Management Lead delivered an informal briefing on the approach to risk management and outline of the refreshed risk management strategy.
- 2.5 Of particular note, an addition to the strategy is the introduction of an officer level 'Performance Board'. This board meets on a monthly basis to consider the overall operating environment and organisational performance which helps inform any updates to the strategic risk profile. This addition to the internal governance arrangements has been reflected in the updated strategy.
- 2.6 During the informal briefing, Members raised a number of points which are addressed as follows.

Q. What risks are not featuring on the current Strategic Risk register but getting close to featuring?

A. At its last meeting, the Performance board considered a number of risks for potential inclusion on the Strategic Risk register.

- Cyber Security threat to the Council. This was considered based on information from the Councils Head of IT and a continual increase in the number of cyber-attacks against local authorities and key suppliers to local authorities. As a result this risk was agreed to be escalated to the Strategic Risk Register
- Ability to achieve our Climate and Biodiversity targets. This was considered but at this time has not been escalated to the Strategic Risk Register pending the refresh of the Climate and Biodiversity Strategy and Delivery Plans.
- Increases in the amount of temporary accommodation. This was considered based on performance data highlighting the continual increase in requirements for temporary accommodation. At this point in time, while one to watch closely, it is not considered to meet the threshold for escalation to the Strategic Risk register as we have a range of emerging initiatives to mitigate the risk and are able to source sufficient temporary accommodation to meet the demand at the moment.

Q. The Strategy sets out how the Council assess the financial levels of each risk but it would be helpful to understand the materiality level set by the External Audit Team Could this be set out in the strategy document?

A. The materiality level set by the External Audit Team for 2022/23 is £1.140million. The scoring framework has been updated to take this into consideration.

Q. Which risks go to the performance board and which ones go on the strategic risk register?

A. Risks identified through, **for example**, service planning and operational delivery will be considered by the performance board where they score 12 and above. The performance board will consider the scoring and if it needs to be included on the strategic risk register or if, at that point in time it is kept under review. It is important that the strategic risk register focus on those critical risks to the Councils overall operating picture.

3. Proposal and Next Steps

- 3.1 That the Audit & Governance Committee note the updated Risk and Opportunity Management Strategy (Appendix A) and the latest Strategic Risk Register (Appendix B).

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	Effective risk management and horizon scanning is an essential aspect of our Performance Management Framework, as is the scrutiny of these risks by the Audit & Governance Committee.
Financial implications to include reference to value for money	Y	Effective risk management is an important aspect of ensuring value for money services.
Risk	Y	This report sets out the strategic risk assessment of the Council.
Supporting Corporate Strategy	Y	All
Consultation & Engagement Strategy	N	
Climate Change - Carbon / Biodiversity Impact	N	

Comprehensive Impact Assessment Implications		
Equality and Diversity	N	
Safeguarding	N	
Community Safety, Crime and Disorder	N	
Health, Safety and Wellbeing	N	
Other implications	N	

Supporting Information

Appendices:

Appendix A – Updated Strategic Risk and Opportunity Management Strategy

Appendix B – Strategic Risk Assessment – November 2023

Background Papers:

None



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Risk and Opportunity Management Strategy

November 2023

Introduction

What Do we mean by Risk & Opportunity?

'Risk' is most commonly known to mean "hazard" and something to be avoided but it has another face - that of opportunity. Improving public services requires innovation - seizing new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

What Is Risk & Opportunity Management?

Risk and Opportunity Management is the culture, processes and structures that are directed towards effective management of potential opportunities and threats to an organisation achieving its objectives.

This strategy is intended to reaffirm and improve effective Risk and Opportunity Management within the Council, comply with good practice and in doing so, effectively manage potential opportunities and threats to the organisation achieving its objectives..

How does Risk Management fit in to our business planning?

Effectively identifying and managing risks and opportunities will support the Council in acting in the best interests of our residents, businesses and communities through the ever changing environment of local government.

It is the 5th step in our Performance Management Framework



Step 5: Risk Management

Identify risks that may prevent us delivering our vision and how we will mitigate them



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Risk and Opportunity Management Policy Statement

The Council recognises that it has a responsibility to manage risks and opportunities effectively to control its assets and liabilities, protect its employees and community against potential losses, minimise uncertainty in achieving its goals and objectives and maximise the chances of achieving its vision. The council will also look to identify and manage opportunities, including those supporting better and more cost-effective provision of services to the public.

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The Council is aware that some risks can never be eliminated fully and it has in place a strategy that provides a structured, systematic and focused approach to managing risk. Risk management is an integral part of the Council's corporate governance arrangements and has been built into the management processes as part of our performance management framework.

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons when things go well. Discussion on risk in any context will be conducted in an open and honest manner.



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Our Risk & Opportunity Management Objectives

We have 6 key objectives that guide our approach to Risk & Opportunity Management

1. Adopt a strategic approach in order to make well informed decisions
2. Integrate risk & opportunity management into how we run Council services and deliver key projects.
3. Support a culture of well-measured risk taking throughout the Council including setting risk ownership and accountabilities.
4. Accept that even with good risk management and our best endeavours, things can go wrong. We will learn lessons where this happens.
5. Ensure that the Council continues to meet all statutory and best practice requirements
6. Ensure that risk & opportunity management continues to be a key and effective element of our Corporate Governance

Benefits of Effective Risk & Opportunity Management



Improved Strategic Management

- Greater Ability to deliver against our corporate objectives and targets
- Improved decision making, planning and prioritization
- Promotion of innovation and change



Improved Operational Management

- Plans in place to prevent negative incidents
- Plans to respond to incidents when they occur
- Better service delivery and customer experience
- Reduce the likelihood/ impact of incidents such as H&S



Improved Financial Management

- Better informed financial decision making
- Greater financial control
- Minimising waste and improving Value for Money



Our Risk & Opportunity Management Process

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Identification of risks and opportunities, deciding what action to take to minimise the risk and take advantage of opportunities that arise is an activity that we are all doing constantly in our personal lives. The same approach is applied by the Councils in assessing risks to our priorities and services.

To do this we follow a 5 step approach



Risk & Opportunity Management – Step by Step

1. Identify and Record

Directors and Heads of Service will consider risks and opportunities as part of their Annual Business Planning Process and consider them throughout the year in response to changes.

All employees will be encouraged to identify risks and opportunities and highlight them to the appropriate manager.

2. Analyse and Assess

Each risk will be assessed in line with the framework in Appendix A of this document.

Likelihood of the Risk Occurring x Impact if the risk does occur

Opportunities will also be documented.

3. Respond

When assessing risk and opportunities, consideration of what measures 'Mitigations' or 'Opportunity Enhancers' can be put in to place should be documented including clear owners and timescales.

Where a risk score falls above the threshold in Appendix B, it should be reported to the Performance Board at their next meeting where consideration will be made to inclusion on the Strategic Risk Register

4. Monitor and Report

Heads of Service should keep risks under review on a regular basis and ensure that mitigations are being followed up.

Performance Board will review each service operational risk and opportunity register at least twice a year to ensure they are effectively being managed and this strategy followed.

Further reporting arrangements are set out later in this document.

5. Integrate Learning

An Annual 'Risk and Opportunity Management' report will be prepared to consider learning and to integrate best practice.

This will be shared with all Risk Owners and Audit Committee

The whole leadership team will embed risk management across all services



Roles and Responsibilities

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All Staff	<ul style="list-style-type: none"> • Assess and manage risks effectively in their job and report hazards / risks to their service managers at the earliest opportunity • Undertake their job within contractual, policy and statutory guidelines and ensure that they have appropriate training to minimise any risk to themselves, others and the Council as a whole • Actively highlight opportunities for improvement to managers
Assistant Directors / Heads of Service	<ul style="list-style-type: none"> • Identify, evaluate, prioritise and control risks and opportunities facing the Council in delivering its corporate objectives • Monitor, review and communicate information on operational and strategic risks within their CoP / area of control • Ensure risk and opportunity management is embedded within departmental business / operational plans • Review cross cutting operational issues • Report to Performance Board on key service risks every six months • Include staff without direct responsibility for owning and managing risk in risk discussions to ensure teams identify potential risks associated with service delivery
Senior Leadership Team	<ul style="list-style-type: none"> • Identify, evaluate, prioritise and control risks and opportunities facing the Council in achieving its corporate objectives • Ensure the Council implements and manages risk effectively through the delivery of the Risk and Opportunity Management Strategy and consider risks affecting delivery of services • Ensure risk and opportunity management is considered by SLT on a quarterly basis • Provide assurance to Audit Committee regarding risk and opportunity management compliance • Approve and monitor the progress and effectiveness of the Risk and Opportunity Management Strategy and the Performance Board • Support the embedding of risk and opportunity management within the culture of the Council as an integral part of strategic/business planning, decision-making and performance management framework • Approve risk and opportunity management monitoring reports to Audit Committee
Performance Board	<ul style="list-style-type: none"> • Responsibility to provide the desired risk management culture, the skills and experience required to manage risks and the internal control activity. • Support the Council and its Head of Practices in the effective development, implementation and review of the Risk and Opportunity Management Strategy • Share experiences across the Council and partners, promoting, facilitating and overseeing the arrangements for managing and monitoring of risk • Provide training and guidance in Risk and Opportunity Management



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Roles and Responsibilities

Audit & Governance Committee	<ul style="list-style-type: none">• Recommend (to Council) Approval of the Council's Risk and Opportunity Management Framework• Receive and approve monitoring reports on the Strategic Risk and Opportunity Register and an annual Risk and Opportunity Management report• Seek assurance on behalf of the Council on the effectiveness and appropriateness of Council actions towards mitigating / resolving / managing red risks. This may be at the request of the Audit & Governance Committee, officers or elected Members
Devon Audit Partnership	<ul style="list-style-type: none">• Provide a risk based Audit Plan to monitor the effectiveness of Internal Controls and provide a trigger and action plan for management intervention• Audit the Risk and Opportunity Management Framework and processes



Reporting Arrangements

We will ensure that Risk and Opportunity Management is embedded throughout the Council, with reporting including:

- Monthly Strategic Risk Reports to Performance Board
- Quarterly reports on Strategic Risks to Hub (West Devon) and Executive (South Hams) via Integrated Performance Management Report
- Six-Monthly Risk reports to Audit and Governance Committee
- Consideration of risk within the Councils' Annual Governance Statement including annual review of risks



Important specific Risk Areas

Above each individual service risk register, risk areas exist that require specific risk registers and monitoring groups – i.e.

- Health and Safety – monitored by a H&S group chaired by a Member of SLT, with a H&S Risk Register.
- IT, and Cyber Security Risk – a Cyber Security Risk Register, and IT management team.
- Financial Risk – the role of the S151 to ensure financial risk and rewards are managed carefully.
- Fraud – a fraud risk register
- Strategies – key council strategies should include / detail the risks related to their effective implementation.
- New projects –Project risk will be managed as part of basic project management.
- Business Continuity, Emergency Planning, and council “Resilience”

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Appendix A - Our Risk Management Scoring

Likelihood
How possible is it that the risk will occur?

#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

Impact
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, no or little follow up needed	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman with potential for minor remedy	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

NB – Our external auditors, Grant Thornton, have set materiality for the 2022/23 Accounts at £1.14million.

Appendix B - Our Risk Management Treatment

Consideration by performance board to add to Strategic Risk Register

Impact Page 144 136dmi	5 Catastrophic				<i>Must be managed down urgently</i>	<p><u>Must be managed down urgently</u> These risks will be the subject to regular monitoring and action by Lead Members and the Senior Leadership Team. Significant Management action is required</p> <p><u>Influence down in medium term</u> These will be regularly monitored by the relevant Director and Head of Service with plans developed to reduce the risk in the medium term.</p> <p><u>Monitor and Manage</u> These will be monitored by Heads of Service and plans developed to reduce the risk and prevent escalation</p> <p><u>Accept</u> These will be monitored however on the whole the risk level is deemed acceptable with normal managing of the activity</p>	
	4 Major			<i>Seek to influence short to medium term reduction</i>			
	3 Moderate		<i>Monitor & Manage to influence a reduction</i>				
	2 Minor	<i>Accept – continue to monitor</i>					
	1 Insignificant						
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain	Likelihood





South Hams
District Council

Strategic Risk Register

November 2023 Update

Audit & Governance Committee 14th December 2023

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Our Risk Management Scoring

Likelihood
How possible is it that the risk will occur?

#	Likelihood	Chances of occurring	
1 – Rare	Unlikely to occur under normal circumstances	0-10%	Very unlikely this will ever happen e.g. Once in 100 years
2 – Unlikely	Potential to occur however likelihood remains low	10-25%	Not expected to happen, but is possible e.g. Once in 25 years
3 - Possible	Possible - Could occur	25-50%	May happen occasionally, e.g. Once in 10 years
4 – Likely	Likely - Most likely will occur	50-80%	Will probably happen, but not a persistent issue e.g. Once in 3 years. Has happened in the past.
5 – Almost Certain	Almost certainly will occur	80-100%	Will undoubtedly happen, possibly frequently e.g. Annually or more frequently. Imminent/near miss.

Impact
If the risk does occur, what is the impact?

#	Impact Category					
	Financial	Service Quality	Reputation	Legal/Regulatory	Health and Safety	Morale / Staffing
1 – Insignificant Impact	Financial loss of less than £10k	Drop in performance or delays to a process or temporary loss of an access route to a service	Limited local interest, single story	Not reportable to regulator/Ombudsman, simple fix	Minor first aid required	Isolated staff dissatisfaction
2 – Minor Risk	Financial loss of between £10k & £100k	Drop in performance or delays to a service area or sustained loss of access routes for services	Local or 'industry' interest, single story over multiple news outlets	Reportable to regulator/Ombudsman, no or little follow up needed	Minor injuries to employees or third parties	Pockets of staff morale problems and increased turnover
3 – Moderate Risk	Financial loss of between £100k & £500k	Drop in performance or delays to delivering a wide range of services	Short term negative media exposure	Regulator/Ombudsman report with immediate correction to be implemented, or risk of prosecution	Simple 'medical professional' type care for employees or third parties, e.g. GP visit, minor injuries unit visit	General staff morale problems and increased turnover
4 – Major Risk	Financial loss of between £500k & £1Mill	Major drop in performance or inability to deliver discretionary services	Sustained negative media coverage, or South West or 'affected industry' publication exposure	Regulator/Ombudsman report requiring major project to correct or prosecution with fines, etc.	Limited hospital care required for employees or third parties	Widespread morale problems and high turnover. Not perceived as employer of choice
5 – Catastrophic	Financial loss of over £1Mill	Major drop in performance or inability to deliver mandatory services	Long term negative media coverage, or national media exposure	Significant prosecution or fines, incarceration of directors	Significant injuries or fatalities to employees or third parties	Some senior leaders leave / high turnover of experienced staff, insufficient staff to complete statutory functions

To calculate the overall risk score, we multiply the likelihood by the highest impact category score.

NB – Our external auditors, Grant Thornton, have set materiality for the 2022/23 Accounts at £1.140million.

Our Risk Management Treatment

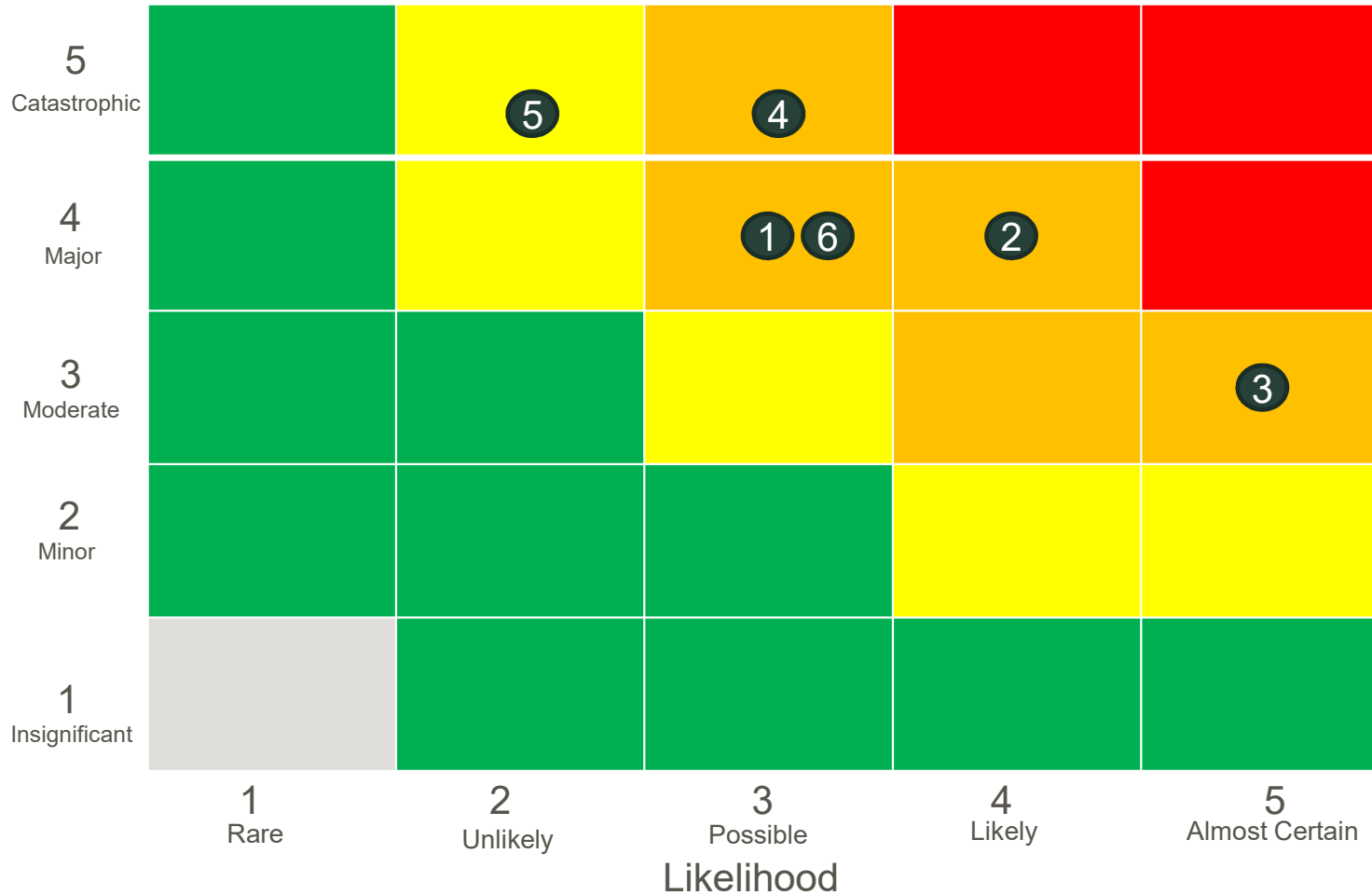
Page 147

5 Catastrophic 4 Major 3 Moderate 2 Minor 1 Insignificant					<i>Must be managed down urgently</i>	Must be managed down urgently These risks will be the subject to regular monitoring and action by Lead Members and the Senior Leadership Team. Significant Management action is required Influence down in medium term These will be regularly monitored by the relevant Director and Head of Service with plans developed to reduce the risk in the medium term. Monitor and Manage These will be monitored by Heads of Service and plans developed to reduce the risk and prevent escalation Accept These will be monitored however on the whole the risk level is deemed acceptable with normal managing of the activity
				<i>Seek to influence short to medium term reduction</i>		
			<i>Monitor & Manage to influence a reduction</i>			
		<i>Accept – continue to monitor</i>				
	<i>Close as a Strategic Risk</i>					
	1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain	
	Likelihood					



Summary of Strategic Risks November 2023

Appendix
Page 148



X Current Period Score

Risk Title

- Adherence to Medium Term Financial Strategy
- Inadequate Staffing Resource
- Health and Wellbeing Service Provision
- Business Continuity
- Delivery of Waste and Recycling Service

Removed since last update:-

- Strategic Direction

Added since last update:-

- Cyber Security



Risk Title: Adherence to Medium Term Financial Strategy (MTFS)

Overall Scoring

What is the risk? Failure to sustain a robust on-going medium term financial strategy in SHDC with adequate reserves to meet unforeseen circumstances, due to cost pressures and reduced income targets, council decisions, changes in Government policy with regard to business rates and affordable housing; Potential impact on delivering the MTFS, particularly if national/regional businesses successfully appeal against business rate valuations or litigation proceedings / legal challenges / planning appeals, etc.

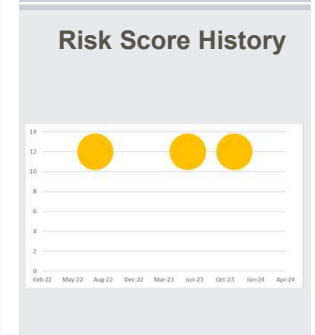
Risk Score (Current)



What could cause the risk to occur? Reduction in Government grant, increasing demand for services and other cost pressures and increased risks associated with localised business rates and council tax support. Additionally, income from activities may not materialise or may be reduced, e.g. a reduction in sales, fees and charges income or business rate appeals. The amount of income received can be adversely affected by a fall in collection rates due to economic downturn, the effects of the pandemic and other factors such as the bankruptcy/liquidation of large ratepayers or any sizeable rateable value reductions achieved by business rated properties in the area.

Likelihood 3 x Impact 4

Risk Scoring	Likelihood of risk occurring		3 (Possible)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> Robust horizon scanning to monitor changes in Government policy. SLT awareness of the risks, cautious approach to budgeting and robust systems of financial control. The Council is not intending to rely heavily on sources of income which may not be sustainable e.g. New Homes Bonus. SLT actively participate in Government consultations, MP discussions and keep aware of changes and the response by peer group, ensuring where appropriate the learning from this is incorporated into strategic plans. SLT engaged in the development of the MTFS.
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	2 (Minor)	



Current Update (November 2023)

The Executive considered the Medium Term Financial Strategy for the Council in September 2023. The Council has continued to work in partnership with West Devon Borough Council which has allowed South Hams to achieve annual savings of £3.9 million and more importantly protect all statutory front line services. Between both Councils the annual shared services savings being achieved are over £6 million per annum. However, the Councils continue to face considerable financial challenges as a result of uncertainty in the wider economy and constraints on public sector spending.

The latest budget report was considered by the Executive on 30 November 2023. There is a forecast budget gap of £146,185 for 2024/25 (1.1% of the projected Net Budget of £13.1million). There is a further budget gap of £0.3m in 2025/26 and a further £1.3m in 2026/27. There are continuing uncertainties about the level of local government funding for 2024/25 and there is no indication yet of the detailed local government funding levels for 2024/25 and beyond. Therefore, there are many uncertainties in preparing for the challenges we know we will face soon. It is thought that the first realistic opportunity for implementing local government funding reforms is 2026/27. It is assumed that 2024/25 will be another roll over settlement and that the core finance settlement for 2024/25 will increase in a similar manner as that for 2023/24.

On 30th June 2023, the Council published its Draft Statement of Accounts for 2022/23. The Budget for South Hams was £10.464 million for 2022/23 but the actual spend was 0.5% lower, providing a surplus of £57,000 as set out within the Accounts.

Risk Direction

Risk Title: Inadequate Staffing Resource

Overall Scoring

What is the risk? The risk is that the Council fails to have the right culture, organisational conditions or resources to deliver our priorities for our communities. Insufficient staffing arrangement resulting in a loss of staff morale, and inadequate resources for training and re-skilling in an ongoing period of change. Failure to engage staff resulting in uncertainty regarding changes in working practices and job security. Particular risk in relation to future terms and conditions. Cost and time of retraining/up-skilling staff. Unrealistic expectations in relation to staffing capacity.

Risk Score (Current)

16

Likelihood 4 x Impact 4

What could cause the risk to occur? The last few years have seen Local Government stepping up to provide significant and varied support to our residents, communities and businesses in addition to maintaining our core service delivery. This has been a sustained period of the council delivering additional support and services and is likely to continue in to the short-medium term.

Risk Scoring Page 150	Likelihood of risk occurring		4 (Likely)	<p>What are we doing to reduce the risk?</p> <ol style="list-style-type: none"> Continuing to review services and update service plans to ensure that we can meet future demand Reviewing our recruitment campaigns – ensuring that they are effective and targeted Filling key roles with temporary resource to ensure services can continue to be delivered effectively while we progress with the recruitment of permanent employees Developing plans for ‘grow our own’ talent Identifying local recruitment events with a view to attending and highlighting roles available within the Council Assessing the ‘offer’ to employees with other similar organisations
	Impact	Financial	4 (Major)	
		Service Quality	4 (Major)	
		Reputation	4 (Major)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	2 (Minor)	
		Morale / Staffing	4 (Major)	



Current Update (Nov 2023) Work continues to address the challenges around recruitment and retention. During this period, positive steps have been taken in delivering on our Organisational Development Plan including:-

- Launching a new recruitment website to better promote opportunities and benefits of working for the Council
- The Local Government Pay Award has been agreed and implemented (with all employees receiving a £1,925 or 3.88% pay rise (whichever is the greater)
- Gone-live with a new staff discount scheme offering a range of non-pay benefits

As the Council progresses with the development of its Corporate Strategy, the Senior Leadership Team will be working with Heads of Service to develop Service Plans for 2024/25 which will include a consideration of future skills needs.

We’ve also commenced work with the Local Government Association and other district councils to consider wider recruitment and retention challenges and opportunities for overcoming them. This work has just commenced and further updates will be provided in future updates.

Risk Direction

Risk Title:	Health and Wellbeing Service Provision
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What is the risk?	The risk is that following the negative impacts to leisure centres as a result of Covid-19, leisure centres may now face further pressures due to the increased cost of living including through loss of revenue as residents consider where they can save money and through increased cost of operating the centres given the energy price increases and increasing inflation.
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What could cause the risk to occur?	This risk original escalated to the Strategic Risk register as a result of the Covid-19 pandemic forcing the closure of leisure centres, meaning a loss of income. The risk has now changed slightly and the main cause for it to remain on the strategic risk register is the risk that revenues reduce as the cost-of-living crisis deepens.
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Risk Scoring Page 151	Likelihood of risk occurring		5 (Almost certain)	<p><u>What are we doing to reduce the risk?</u></p> <ol style="list-style-type: none"> 1. Worked with Fusion Leisure to revise the management fee profile in response to the reductions in income seen through Covid-19 (agreed by Council on 31 March 2022 – Minute 74/21) 2. Continue to engage with Fusion to understand issues and support where possible 3. Continue to monitor local and national position (given that all leisure providers will be in the same position) 4. Promote active participation in sport and leisure through Council communication channels
	Impact	Financial	3 (Moderate)	
		Service Quality	2 (Minor)	
		Reputation	2 (Minor)	
		Legal / Regulatory	2 (Minor)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	2 (Minor)	

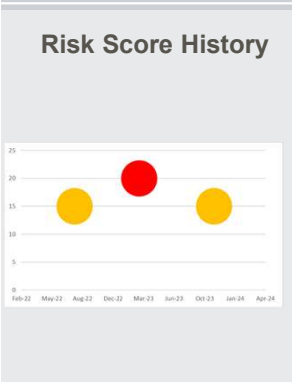
Current Update (Nov 2023)	<p>The provision of leisure centres has seen significant challenges for management operators, such as Fusion Lifestyle. The pandemic, energy prices, rising inflation and cost of living continue to impact the provision of services and for customers to access facilities and be active.</p> <p>The Council regularly meets with Fusion, both at local operations level and with its Senior Management to assess and understand the challenges and provide support where appropriate. As well this includes meeting with other Fusion client councils to consider wider business provision and impacts. We are supporting decarbonisation plans for reducing energy costs across our leisure centres and have agreed the installation of solar panels. The solar project is scheduled for early next year, to align with the timing of Fusion finalising their overall financial arrangements in the short term. Future growth and rising income remains positive in the medium and long term.</p> <p>The Council, with the support of Fusion, applied to the Swimming Pool Support Fund which was announced in the Spring 2023 Budget, However we were unsuccessful in the Phase 1 (Revenue round) and we will hear at the end December 2023 if we are successful in the Phase 2 (Capital round).</p>
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Overall Scoring

Risk Score (Current)

15

Likelihood 5 x Impact 3



Risk Direction

Risk Title:	Business Continuity
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What is the risk?	The risk is that we do not develop and keep maintained robust processes to ensure business continuity in the event of a significant event occurring, e.g. Failure to ensure the continuous availability of critical IT systems leading to inability to deliver key council services.
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What could cause the risk to occur?	Developing and maintaining robust Business Continuity Plans requires significant and sustained focus. During Covid-19 response, the Councils risk profile has changed as we have relied much heavier on working in different ways (for example more staff working from home the majority of time) and with significant pressures being placed on some of our key delivery partners/ contractors. Work is required to update our BCP's to the changing environment that we are operating in.
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Risk Scoring Page 152	Likelihood of risk occurring		3 (Possible)
	Impact	Financial	5 (Catastrophic)
		Service Quality	5 (Catastrophic)
		Reputation	4 (Major)
		Legal / Regulatory	2 (Minor)
		Health and Safety	3 (Moderate)
		Morale / Staffing	3 (Moderate)

What are we doing to reduce the risk?

- Having two HQ locations is main mitigating factor - however an outage of power/ICT at either location would lead to a serious disruption of service.
- Agile working further reduces reliance on two office buildings.
- Locality workers can be despatched more easily to ensure customer engagement can be maintained during any incident.
- Business Continuity plans have been updated - priority areas - ICT Networking - Payroll & Creditors Payments; other plans need to be made more robust – further work underway

Current update (Nov 2023)	<p>The work to ensure we are well prepared to respond to a Business Continuity incident continues to be managed through the Health, Safety, Business Continuity and Emergency Planning Officer team to ensure a continued focus.</p> <p>During this period, three Members of the Councils' Management team have undertaken accredited Incident Management Training to ensure that any Business Continuity Incident is managed well.</p> <p>The focus for the next three months will include an update of service business continuity plans alongside updates of service planning.</p>
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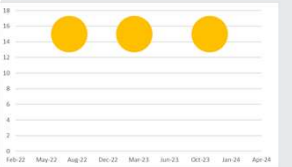
Overall Scoring

Risk Score (Current)



Likelihood 3 x Impact 5

Risk Score History



Risk Direction



Risk Title: Delivery of Waste and Recycling Service

What is the risk? The risk is that the Council fails to adequately plan and deliver its Waste and Recycling service, in particular, rolling out the Devon Aligned Service to all remaining households.

What could cause the risk to occur? There are a number of issues that could result in issues to delivering the Waste and Recycling service including:-

- Insufficient staff resource
- Incorrect rounds planning
- Non-delivery of vehicles in time for service implementation
- Making Infrastructure Improvements

Risk Scoring	Likelihood of risk occurring		3 (Possible)	<p>What are we doing to reduce the risk?</p> <p>1.Appointed a dedicated project manager to support the Head of Service with the co-ordination and management of the implementation of DAS.</p> <p>2.Developed a detailed project and resourcing plan with regular project team meetings monitoring and managing progress.</p> <p>3.Developing a comprehensive Communication Plan to raise awareness of the changes, seek resident support and manage expectations.</p>
	Impact	Financial	4 (Major)	
		Service Quality	5(Catastrophic)	
		Reputation	5 (Catastrophic)	
		Legal / Regulatory	4 (Major)	
		Health and Safety	3 (Moderate)	
		Morale / Staffing	4 (Major)	

Current Update (Nov 2023) The Devon Aligned Service went live as planned for remaining households on 20th November 2023. The change involved the reconfiguration of the whole of the residual and recycling collection service and resulted in over 43,000 households experiencing a change to their collections. Additional resources (trucks and people) have been provided to ensure that collections could be completed in the event of an issue occurring.

Each household received a letter detailing the changes to their service and this was reinforced with a media and social media campaign. Every household has now completed one fortnightly cycle (encompassing 2 kerbside recycling collections and 1 residual collection) . Performance is monitored daily, including: Finish times of each round; issues recorded by the crews; exceptions (not outs etc.); tonnages of materials; missed collection reports; customer contact and complaints.

To date, there have not been any significant issues with the rollout. The additional resources and monitoring will continue until end of January to ensure there is no risk of increased disruption as a result of the Christmas period.

The roll out is being overseen by a project team and subject to oversight by the Director Customer Service Delivery and Waste Working Board.

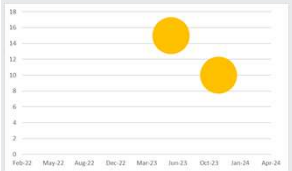
Overall Scoring

Risk Score (Current)



Likelihood 2 x Impact 5

Risk Score History



Risk Direction



Risk Title:	Cyber Security	Overall Scoring
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What is the risk? The risk is that the Council could be subject of a cyber-attack that could lead to a significant and prolonged impact on our technology services which in turn would affect our ability to deliver our services.

Risk Score (Current)



What could cause the risk to occur? Cyber security threats can originate from the internet, corporate networks, maintenance activities, software upgrades and unauthorised access. All of these have the potential to result in a cyber security incident.

Risk Scoring	Likelihood of risk occurring	4 (Likely)	<u>What are we doing to reduce the risk?</u>
Page 154	Impact	Financial	4 (Major)
		Service Quality	4 (Major)
		Reputation	4 (Major)
		Legal / Regulatory	3 (Moderate)
		Health and Safety	3 (Moderate)
		Morale / Staffing	4 (Major)
			<ol style="list-style-type: none"> 1. Protective monitoring including anti-virus scanning which cannot be disabled by users 2. Scanning all incoming emails for malware and other malicious content 3. Multiple layers of firewalls in place to prevent unauthorised access 4. Regular penetration testing of our systems to identify any vulnerabilities 5. Planned programme of mandatory training for users of Council devices to ensure awareness continues to be promoted 6. Participation in regional and national groups such as the governments Cyber Security Information Sharing Partnership to share awareness of emerging threats 7. Carrying out due diligence on software providers prior to new system implementation

Likelihood 4 x Impact 4

Risk Score History

NA/ New Risk

Current Update (November 2023) Following consideration of the strategic risk profile of the Council by the Senior Leadership Team and Performance Board, it has been agreed that a new risk should be escalated to the Strategic Risk Register from the IT Service Risk Register. It is now widely considered that it is only a matter of time before government organisations such as ourselves are the subject of a cyber-attack – very much ‘when’ rather than ‘if’.

We know from experiences of other Councils, that when a cyber-attack is successful it can lead to many months of significant disruption and loss of data.

An Internal Audit is currently being undertaken of our Cyber Security arrangements and practices which will report to A&G Committee at the next meeting.

Risk Direction

NA/ New Risk

Report to: **Audit and Governance Committee**

Date: **14 December 2023**

Title: **Anti-Fraud, Bribery and Corruption (Policy and Response Plan), Counter Fraud Resilience and Assessment Report and Whistleblowing Policy**

Portfolio Area: **Finance – Cllr J Brazil**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Author: **Lisa Buckle** Role: **Section 151 Officer**

Contact: **lisa.buckle@swdevon.gov.uk**

RECOMMENDATIONS:

It is RECOMMENDED that the Audit and Governance Committee approve the contents of the following documents attached:

- 1. Anti-Fraud, Bribery and Corruption Policy (Appendix A refers);**
- 2. Anti-Fraud, Bribery and Corruption Strategy/Response Plan (Appendix B refers);**
- 3. Counter Fraud Resilience and Assessment Report (Appendix C refers); and**
- 4. Whistleblowing Policy (Appendix D refers)**

1. Executive summary

- 1.1 The Council is committed to championing the fight against fraud and corruption. The Council has, through its arrangements with the Devon Audit Partnership (DAP), committed to retaining the expertise of a qualified counter fraud investigative capability and acknowledges the potential wider risks from corporate fraud and corruption and its obligation to investigate all types of fraud.

2. Background

2.1 The Council has engaged the services of the Devon Audit Partnership's fraud team to update the Council's policies and strategies which are attached in Appendices A to D.

3. Proposed Way Forward

3.1 It is recommended that the Audit and Governance Committee approve the contents of the four documents attached.

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The documents set out the Council's arrangements, adopting best practice and learning from other Authorities in respect of counter fraud and corruption work.
Financial implications to include reference to value for money	Y	The Council will commit appropriate resources to identify, assess, detect and prevent fraud and corruption throughout all areas of business within the Council.
Risk	Y	A fraud risk assessment and an Annual Report on Counter Fraud Activity will be presented to the Audit and Governance Committee in March 2024, as per the Committee Workplan.
Supporting Corporate Strategy	Y	The documents set out the Council's arrangements, adopting best practice and learning from other Authorities in respect of counter fraud and corruption work.
Climate Change - Carbon / Biodiversity Impact	N	None directly arising from this report.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	None directly arising from this report.
Safeguarding	N	None directly arising from this report.
Community Safety, Crime and Disorder	N	None directly arising from this report.
Health, Safety and Wellbeing	N	None directly arising from this report.

Other implications	N	None directly arising from this report.
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Supporting Information

Appendices:

Appendix A - Anti-Fraud, Bribery and Corruption Policy

Appendix B - Anti-Fraud, Bribery and Corruption Strategy/Response Plan

Appendix C - Counter Fraud Resilience and Assessment Report

Appendix D - Whistleblowing Policy

Background Papers:

None

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Counter Fraud Services

Devon Audit Partnership

South Hams District Council –
Anti Fraud, Bribery and
Corruption Policy



December 2023

CONTENTS

1.	Anti – Fraud, Bribery and Corruption statement	4
2.	Introduction	4
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4.	What is Bribery?	5
5.	What is Corruption?	5
6.	Avenues for reporting fraud, bribery and corruption	6
7.	Responsibilities	6

1. Anti-fraud, bribery and corruption statement.

- 1.1. Fraud in all its forms is now the most common criminal offence in the UK costing the economy £193 Billion a year. This equates to £3,000 per head of population in the UK (or £7,000 per household). It is estimated to cost Local Authorities anywhere between £2.2 and £7.4 Billion annually, losses that council front line services can ill afford and which can contribute to council tax increases year on year. The cost of fraudulent activity impacts most markedly on those requiring the most help in our society, it is therefore imperative that we combat this criminal activity appropriately and effectively.
- 1.2. Fraud, bribery and corruption are by definition crimes and should not be tolerated. Any fraud against the Council is a fraud against the public purse and therefore we will build processes and policies that will prevent and detect fraud and pursue those who would commit fraud; maximising our resources and ensuring that the public retain confidence in the Council.
- 1.3. The public are entitled to expect the local authority to conduct its affairs with honesty and openness and to demand the highest levels of integrity and conduct from its staff, members and partners. The policy is part of an interconnected approach by the Council, which is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible level. The Council will pursue and endeavour to bring to justice those who commit fraud, and its related offences.

2. Introduction

- 2.1. The Council's elected members and employees play an important role in creating and maintaining a culture which requires everyone to act honestly and with integrity at all times and to safeguard the resources for which they are responsible. The Council's policy is that:
 - any level of fraud, corruption or bribery in or against the Council will not be tolerated.
 - every attempt will be made to deter and prevent fraud.
 - opportunities for fraud and corruption will be reduced to the lowest possible level.
 - elected members and employees will be made aware of their obligation to report suspicions of fraud.
 - mechanisms will be in place for elected members and employees to report fraud.
 - any suspicion of fraud will be thoroughly investigated and dealt with appropriately.
 - any evidence of criminal activity will be reported to the Devon Audit Partnership Counter Fraud Team; and
 - mechanisms will be in place for seeking redress in respect of money defrauded.
- 2.2. The Council also expects that individuals and organisations (e.g. suppliers, contractors and service providers) that it interacts with will act towards the Council with integrity and without thought or actions involving fraud. Where relevant, the Council will include appropriate clauses in its contracts about the consequences of fraud, bribery and corruption; evidence of such acts is likely to lead to a termination of the particular contract and may lead to prosecution or other sanction.

3. What is Fraud?

- 3.1. There are a number of criminal offences that relate to what might commonly be termed as 'fraud' that are covered by the [Theft Act 1968](#) and the [Theft Act 1978](#). However, the [Fraud Act 2006](#) created a new general offence of fraud with three definitions: -

- Fraud by false representation, i.e., if an individual dishonestly makes a false representation and intends by making the representation to make gain for himself or another, or to cause loss to another or expose another to risk of loss.
- Fraud by failing to disclose information, i.e., if an individual dishonestly fails to disclose to another person information which he is under a legal duty to disclose and intends, by means of abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to risk of loss; and
- Fraud by abuse of position, i.e., if an individual occupies a position in which he is expected to safeguard, or not to act against, the financial interests of another person, and he dishonestly abuses that position, and intends, by means of the abuse of that position, to make a gain for himself or another, or to cause loss to another or expose another to a risk of loss.

4. What is Bribery?

- 4.1. Broadly, the [Bribery Act 2010](#) defines bribery as giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith.
- 4.2. Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event.
- 4.3. Some simple examples are:
 - Bribery in order to secure or keep a contract.
 - Bribery to secure an order.
 - Bribery to gain any advantage over a competitor.
 - Bribery of a local, national or foreign official to secure a contract.
 - Bribery to turn a blind eye to a health safety issue or poor performance or substitution of materials or false labour charges.
 - Bribery to falsify an inspection report or obtain a certificate.
- 4.4. Section 2 of the Bribery Act 2010 makes it an offence to accept a bribe.

5. What is Corruption?

- 5.1. Corruption is the abuse of entrusted power for private gain. It can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs.
- 5.2. 'Misconduct in a public office' is a common law offence and is committed when the holder of a public office acts, in a way contrary to their duty, or indeed omits to act in line with their duty.

6. Avenues for Reporting Fraud, Bribery and Corruption

- 6.1. The Council has in place avenues for reporting suspicions of fraud, bribery and corruption. Employees, elected members, members of the public, contractors and partners should report any concerns or suspicions to:

By email ken.johnson@devon.gov.uk or counter.fraud@devon.gov.uk

In writing – Counter Fraud Services Manager, Devon Audit Partnership, Ballard House, West Hoe Road, Plymouth PL1 3BJ

- 6.2. Employees can also report their concerns to their line manager, trade union representative or the Head of Legal Services. 'Protect', an independent charity provides free, confidential and practical advice if someone is unsure of how to raise a concern. They operate a Whistleblowing Advice Line - Tel: 020 3117 2520
- 6.3. All matters will be treated seriously and dealt with in a professional manner. If you ask us to treat the matter in confidence, we will do our utmost to respect your request, but it is not possible to guarantee confidentiality. Vigorous and prompt investigations will be carried out into all cases of actual or suspected fraud discovered or reported.

7. Responsibilities

- 7.1. The Chief Finance Officer as "Section 151 Officer" has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs and, together with the Chief Executive and members of the Senior Leadership Team (SLT), has overall responsibility for the Council's counter-fraud policy and procedures, and for establishing and maintaining a sound system of internal control that supports the achievement of the Council's policies, aims and objectives.
- 7.2. The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of those risks and to manage them effectively. Managing fraud risk will be seen in the context of the management of this wider range of risks.
- 7.3. Responsibilities include:
 - Developing a fraud risk profile and undertaking a regular review of the fraud risks associated with each of the key organisational objectives in order to keep the profile current.
 - Establishing an effective anti-fraud policy and fraud response plan, commensurate to the level of fraud risk identified in the fraud risk profile.
 - Designing an effective control environment to prevent fraud commensurate with the fraud risk profile.
 - Establishing appropriate mechanisms for:
 - reporting fraud risk issues.
 - reporting to the Audit and Governance Committee.
 - Liaising with Risk Management and the Audit and Governance Committee.
 - Ensuring that the Council's recruitment policy is adhered to and that effective steps are taken at recruitment to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.
 - Making sure that all staff are aware of the Organisation's anti-fraud policy and know what their responsibilities are in relation to combating fraud.
 - Ensuring that appropriate counter-fraud training is available and provided to staff.
 - Ensuring that vigorous and prompt investigations are carried out if fraud occurs or is suspected.
 - Ensuring that appropriate legal and / or disciplinary action is taken against perpetrators of fraud.

- Taking appropriate disciplinary action against supervisors/managers where supervisory/managerial failures have contributed to the commission of fraud.
- Taking appropriate disciplinary action against staff who intentionally fail to report fraud.
- Taking appropriate action to recover assets.
- Ensuring that appropriate action is taken to minimise the risk of similar frauds occurring in future.

7.4. Operational managers / supervisors are responsible for:

- Ensuring that an adequate system of internal control exists within their areas of responsibility and that controls operate effectively.
- Preventing and detecting fraud.
- Assessing the types of risk involved in the operations for which they are responsible.
- Reviewing and testing the control systems for which they are responsible regularly.
- Ensuring that controls are being complied with and their systems continue to operate effectively.
- Implementing new controls to reduce the risk of similar fraud occurring where frauds have taken place.

7.5. Every member of staff and elected member of the Council is responsible for:

- Acting with propriety in the use of the Council's resources and the handling and use of funds whether they are involved with cash or payments systems, receipts or dealing with suppliers and or customers.
- Being alert to the possibility that unusual events or transactions could be indicators of fraud.
- Reporting details immediately through the appropriate channel if they suspect that a fraud has been committed or see any suspicious acts or events.
- Cooperating fully with those conducting internal checks, reviews or fraud investigations.



Counter Fraud Services
Devon Audit Partnership
South Hams District Council
Anti-Fraud, Bribery and
Corruption Strategy /
Response Plan



December 2023



Support, Assurance & Innovation

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The Council's Commitment to Prevent Fraud and Corruption in all areas of the Council's Business.

1. Strategy/Response Plan

- 1.1 Fraud is a major drain on the Public Purse it is therefore imperative that all Public Sector Staff prevent fraudulent activity and understand the threats and risks involved to the country's economy and specifically the local economy. This Strategy will assist the Council in becoming more resilient to current threats and those identified in the future. The aim is to minimise fraudulent activity with a zero-tolerance approach to those who commit criminal acts of fraud against the Council whether the threat is from outside or internally within the Council.
- 1.2 Tackling fraud is an integral part of putting finances on a stable footing and ensuring that taxpayers' hard earned money is used to protect resources for frontline services. Fraud has a serious effect on all parts of the economy and costs the UK in the region of £193 billion per year. The cost of fraud to local government is estimated at £2.2 - £7.4 billion a year.
- 1.3 This Strategy aligns with the Council's long-term plans and should be read in conjunction with the Anti-Fraud, Bribery and Corruption Policy 2023.
- 1.4 Through its arrangements with [Devon Audit Partnership](#), the Council has a dedicated Counter Fraud Team which delivers professional counter fraud advice, guidance and investigatory work. The team will endeavour to exceed the expectations of the local population in combating fraud; this in turn will allow the Council to use its resources on frontline services for those who legitimately need them as well as promoting re-investment in area, to make it a place where people want to live, learn, work and visit.
- 1.5 The Council will Govern, Acknowledge, Prevent, Pursue and Protect in respect of any threats posed by fraudulent activity whether by individuals or organisations with a view to making the most of its finances and promoting fairness and opportunity within District.
- 1.6 The Strategy's key objectives are to:
 - Assess and understand the fraud risks faced by the Council.
 - Commit the correct support and resource to tackle fraud risk areas identified.
 - Maintain a consistent and robust anti-fraud response.
 - Make better use of information and technology to counter threats of fraud.
 - Ensure all fraud controls and processes are effective and continue to enhance these.
 - Further develop an effective anti-fraud culture.
 - Pursue fraud debt recovery and the use of Civil Sanctions when appropriate.
 - Further develop capability and capacity to address and deter fraudsters.
 - Embrace/encourage collaboration across all Local Authorities and Law Enforcement Agencies in the fight against fraudulent activity.
 - Promote a zero-tolerance approach to fraud.

2. Govern

- 2.1 The Council will ensure that it has robust arrangements and executive support to ensure anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having an overall holistic approach to tackling fraud is part of good governance.
- 2.2 It understands that the tone is set from the top of any organisation and should be included in local counter fraud strategies and response plans.
- 2.3 Local authorities can ensure that their counter fraud response is comprehensive and effective by considering their performance against each of the six themes:
- Culture
 - Capability
 - Competence
 - Capacity
 - Communication
 - Collaboration

3. Acknowledge

- 3.1 The Council acknowledges that it is not immune from fraud and that it has a duty to implement measures to protect the public purse in all areas of its business. Fraud is a hidden crime and the Council should not enable fraudulent or corrupt activity to remain hidden.
- 3.2 The Council commits to:
- Involving the S151 Officer and Senior Leadership Team (SLT) in championing the fight against fraud and corruption.
 - Engaging with the Audit and Governance Committee, seeking their endorsement for counter fraud and corruption work in the Council.
 - Committing appropriate resources to identify, assess, detect and prevent fraud and corruption throughout all areas of business within the Council.
 - Assessing and trying to understand the fraud, bribery and corruption risks facing the Council now and in the future.
 - Maintaining a robust counter fraud and corruption response.
 - Keeping records of all suspected and confirmed cases of fraud and corruption.
 - Working with all available internal and external partners and law enforcement agencies with a view to reducing the risk of fraud across all areas of the Council's business.
 - Using appropriate data matching tools available to deter and detect fraudulent/corrupt activity.
 - Supporting and passing on best practice to other Authorities in respect of counter fraud and corruption work.
 - Adopting best practice and learning from other Authorities in respect of counter fraud and corruption work.
 - Ensuring that all staff understand how, where and when to report suspicions of fraudulent activity.
- 3.3 Only through its acknowledgment that it faces the continuing threat of fraud and corruption can the Council effectively counter the threat. The Council has, through its arrangements with Devon Audit Partnership, committed to retaining the expertise of a qualified counter fraud investigative capability; acknowledging the potentially wider risks from corporate fraud and corruption and its obligation to investigate all types of fraud.

4. Prevent

4.1 The best way to fight fraud is to prevent it from happening in the first place. Prevention extends beyond making sure that there are appropriate systems and process controls in place. It also depends upon the development of an effective anti-fraud and corruption culture that reinforces a zero tolerance and deters criminals from committing fraud in the first place.

4.2 The Council commits to:

- Make better use of information and technology in the analysis and prediction of fraudulent or corrupt activity in all areas of the Council's business.
- Use all internally available data to maximise detection of fraud and corruption.
- Encourage other Local Authorities and stakeholders to share their data in order to maximise the detection of fraud and corruption.
- Share intelligence with other Authorities and relevant Law Enforcement Agencies in order to combat fraud and corruption.
- Use all areas of the [National Fraud data matching Initiative](#) to best effect.
- Support local and national initiatives to support the fight against fraud and corruption.
- Use the [National Anti-Fraud Network \(NAFN\)](#) to maximise information gathering in order to combat fraud and corruption.
- Implement the local government counter fraud and corruption strategy '[Fighting Fraud and Corruption Locally](#)', to improve the Council's resilience to fraud and corruption;
- Arrange Fraud Awareness training to be offered out to all internal staff and Members as well as, where appropriate, 3rd parties linked to the Council's business.
- Maximise publicity through advertising campaigns in diverse media areas to discourage those who would potentially commit fraud.
- Encourage publication of court convictions in order to dissuade potential future offenders.
- Ensure that there is a clear reporting route available for staff and the public to report suspicions of fraudulent and corrupt activity.
- Ensure that where a criminal offence is suspected that it is referred to the DAP Counter Fraud Team.
- Ensure that the DAP Counter Fraud Team are identified as a reporting line within the Whistleblowing Policy if the whistle-blower feels that this would be the most effective route.

4.3 A strong anti-fraud culture that is driven from the top down must underpin any preventative approach. This requires continuous active promotion and needs to include staff, members of the public and 3rd parties involved in the provision and procurement of the Council's services. An anti-fraud culture will seek to motivate staff and ensure that they understand the importance of tackling fraud and corruption, recognise fraud and corruption and know how and where to report it.

4.4 The Council will seek to change attitudes and behaviours towards fraud and corruption, positively re-enforcing individuals' responsibility for preventing, detecting and reporting fraud, and deterring future criminal activity against the Council.

5. Pursue

5.1 Prevention is always preferable. However, determined fraudsters will evade even the best controls, and where fraud and corruption does occur enforcement must be comprehensive. The Counter Fraud Team will appropriately investigate all allegations to a conclusion, ensuring that where relevant the offender is prosecuted or other appropriate sanction is applied.

5.2 The Council will ensure that the public, and potential fraudsters, are made aware that when public funds are stolen, every effort will be made to recover losses and confiscate assets gained as a result of criminal activity.

5.3 The Council commits to:

- Using the services of a dedicated Counter Fraud Team to investigate all allegations of fraud and corruption concerning the Council.
- Ensuring that the Counter Fraud investigators (either employed or contracted) are trained to the appropriate standard, with investigations carried out in a professional manner and evidence collected and retained in accordance with the law.
- Encouraging a higher priority for the recovery of fraudulent losses, to include the use of civil sanctions.
- Ensuring legal capability and capacity is sufficient to pursue fraudsters.
- Aid in the creation a more collaborative and supportive law enforcement response across Devon to encourage co-operation and joint working (e.g. across all Devon Local Authorities, Trading Standards, the DWP, HMRC, UK Border Agency and the NHS etc;
- Consider the use of Compensation Orders or the Proceeds of Crime Act to recover profits made by fraudulent means.
- Use publicity from successful Prosecutions to deter others who could potentially commit similar offences in the future.

6. Protect

6.1 The Council commits to protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community.

6.2 This will also cover protecting public funds, protecting its organisational integrity and reputation from fraud and cybercrime and also protecting itself from future frauds as far as can be reasonably expected.

7. Information Technology and Data Matching

7.1 The Council undertakes to make better use of the information that it already holds for various Council activities in order to drive out fraud from its systems. It will look to continuously improve and expand its ability to acknowledge, prevent and detect fraud in all areas of its business through:

- The use of internal Data Matching checks to proactively Prevent/Detect fraudulent activity.
- Information Sharing: Intelligence is key in the modern fight against fraud. All appropriate Internal /External Data warehousing / matching opportunities will be explored and maximised
- Using a proactive/joined up approach to investigations across the Council and Cross boundary (if appropriate) that will generate income and savings.

8. Sanctions Guidelines

8.1 The Council seeks to provide value for money services to the public and has a statutory duty to protect the Public Purse.

8.2 In the interest of making fair and balanced decisions, the Council will refer to sanction guidelines, taking into account various factors, not only the monetary value of the offence. All cases will be evaluated on their own merit and any mitigating circumstances will be taken into account.

- 8.3 The Council will co-operate with other agencies such as the Department for Work and Pensions, the Police and the Crown Prosecution Service to secure the conviction of offenders. The Council will also instigate criminal proceedings independently of these organisations where appropriate.
- 8.4 These guidelines will assist in determining the appropriate action to be taken in relation to each case. The initial recommendation on what action is most appropriate to take lies with the Investigator. The Counter Fraud Team Manager will then make a recommendation based on the evidence for consideration by the Head of Devon Audit Partnership in accordance with the Public Interest test. Ultimate decision-making lies with the Council's Head of Legal (Monitoring Officer).

9. Legislative Framework

9.1 These guidelines take into account the requirements of the following legislation: -

- [The Social Security Administration Act 1992](#)
- [The Social Security Administration \(Fraud\) Act 1997](#)
- [Regulation of Investigatory Powers Act 2000](#)
- [Police and Criminal Evidence Act 1984](#)
- [Data Protection Act 2018](#)
- [Local Government Act 2000](#)
- [Criminal Procedures Investigation Act 1996](#)
- [Criminal Justice and Public Order Act 1994](#)
- [Human Rights Act 1998](#)
- [Fraud Act 2006](#)
- [Theft Act 1968 & 1978](#)
- [Prevention of Social Housing Fraud Act 2013](#)
- [Proceeds of Crime Act 2002 \(POCA\)](#)
- [Equality Act 2010](#)

10. Sanctions available to the Local Authority

10.1 When the Local Authority is able to prove an offence beyond reasonable doubt, or the offender makes a full confession that they have committed a criminal offence against the authority, the Council has the following sanctions available to it:

- Administer a Local Authority Formal Caution
- Administer a fixed penalty
- Prosecution through the Magistrates Court
- Seizure and liquidation of assets via POCA (Proceeds of Crime Act 2002)

11. Standards of Evidence

11.1 The Council will use the most appropriate deterrent against future fraudulent activity. This requires each referred case to be looked at on its individual merits, making reference to any previous sanction or convictions if applicable, before deciding on any further action.

11.2 Prosecution and the alternatives to prosecution have to follow the rules of law. Criminal offences have to be proved "beyond reasonable doubt" and not on the "balance of probability" rules applied to civil matters.

11.3 Substantive evidence is essential before the Council can determine if a sanction is justified.

Evidence must be legally admissible and put forward in a legally acceptable form. The Council must therefore be satisfied that evidence is of a quality which would withstand scrutiny in a court of law. In the first instance the Counter Fraud Team Manager will assess the quality of evidence gained in the course of an investigation, ensuring that the evidence is:

- Clear
- Admissible
- Substantial
- Reliable

11.4 The Counter Fraud Team Manager will also check the case in the first instance to ensure:

- That there is sufficient evidence to show action, knowledge and, where appropriate, intent, by the individual concerned.
- That all the evidence has been obtained in accordance with the relevant legislation.

12. Formal Cautions

12.1 Formal cautioning is based on the principle that no prosecuting authority is under an obligation to prosecute. The use of formal cautions is purely administrative and there is no legislation covering their use.

12.2 A Formal Caution may only be offered if an admission of guilt has been made and cannot be offered if the claimant refutes or denies the allegation. It is given as an official warning to a person who has committed a fraud related offence against the Council.

12.3 A Formal Caution will only be considered and administered when: -

- There is sufficient evidence to justify instigating criminal proceedings.
- The offence has been admitted during an interview under caution (A caution should never be considered purely on the basis that the claimant "will accept a caution");
- The offender has no unspent relevant previous convictions, cautions etc.
- The person agrees to sign documentation in which they admit the offence.
- The person agrees to be cautioned and acknowledges the caution.
- Cautions will not be administered to a person under the age of 18.

12.4 For a case where the Investigating Officer has recommended a caution, the recommendation will be reviewed and sanctioned by the Counter Fraud Team Manager. The caution may be administered by the Counter Fraud Team Manager (an appropriate Accredited Counter Fraud Specialist may administer a caution in the absence of the aforementioned).

12.5 If the person is subsequently prosecuted for another offence, the caution may be cited in court. If the person refuses to accept a caution, the alternative course of action should be criminal proceedings. Therefore, the quality of evidence for a caution must be of the same standard as that required for a prosecution.

13. Administering a fixed or civil penalty

13.1 Currently the DAP Counter Fraud Team has not been authorised to administer fixed or civil penalties for offences. However, this may change in the future depending on changes in overarching policies.

14. Prosecutions

14.1 The Council recognises that it is likely to be appropriate to prosecute where there is clear evidence that an offence has been committed. In taking such action, the Council will make fair and consistent decisions, and will ensure that there is sufficient evidence to make conviction more likely than acquittal.

14.2 If one or more of the following factors are apparent within a case, that case may be considered for prosecution as the first option:

- The defendant is alleged to have committed the offence while under an order of the Court.
- The gross adjudicated cost to the Council or its partners is £5000 or over. (In line with the minimum sentencing guidelines for fraud offences);
- False identities or other personal details have been used.
- False or forged documentation has been used.
- Official documents have been altered or falsified.
- The person concerned occupied a position of trust.
- The person concerned assisted or encouraged others to commit offences.
- There is evidence of premeditated or organised fraud.
- The person concerned has relevant previous convictions.
- The person has previously been convicted of fraud.
- The offer of a formal caution or other sanction or solution has been refused.
- There is evidence of collusion.

15. Factors for consideration by the officer responsible for the final case review and decision on whether to prosecute

15.1 In all cases where the Investigating Officer and the Counter Fraud Team Manager have, based on evidence, concluded that an individual should be prosecuted, a number of factors need to be taken into consideration when deciding whether to instigate the prosecution action.

15.2 The presence within a case of any of the Public Interest factors referred to in 16.1 below may preclude it from prosecution, downgrade it to an alternative sanction or a decision to take no further action; each case will be assessed individually.

16. Public Interest

16.1 If the evidence obtained justifies proceedings, the Council must then consider whether this would be in the public interest, taking into account [The Code for Crown Prosecutors](#) which gives guidance on the general principles to be applied when making a decision regarding prosecutions.

Common factors include:

- Age
- Social factors
- Mental illness
- Physical illness
- Voluntary disclosure
- Technical factors

17. Summary

17.1 The guidelines outlined in this strategy cover the main areas that the Council consider when dealing with alleged fraudulent activity. As well as the above the Council is committed to improving fraud awareness throughout its own organisation and those of its partners.

17.2 Whilst the Council appreciates the majority of people are honest, it will continue to fight abuse of the 'Public Purse' by those who falsely claim/apply for money/property/support to which they are not entitled. All investigations will be undertaken by trained staff that will respect the rights of all customers, abide by the law and act in the public interest.



Counter Fraud Services

Devon Audit Partnership

South Hams DC Counter Fraud Resilience and Assessment Report



December 2023



Support, Assurance and Innovation

1. Introduction

1.1 The following is the [Devon Audit Partnership](#) (DAP) [Counter Fraud Services Team](#) Report and Update 23/24. It outlines the ever-increasing fraud threats affecting all areas of public spending and the responses expected from South Hams District Council. Our aim is to support South Hams District Council in its continued efforts to ensure that appropriate processes are in place. This includes good governance processes, acknowledging the threats posed by fraud, preventing and pursuing those who would look to commit fraud and providing assurance that the Council, the public and the wider public purse are being protected from fraud wherever possible.

1.2 The Counter Fraud Services Team within Devon Audit Partnership (DAP) continues to support and facilitate the development of the Council's Counter Fraud processes and capability, which improves its resilience to fraud and related offences.

2. Fraud response / resilience assessment.

2.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) reports that local authorities have achieved success by taking a structured response to fraud and that they now need to respond to an ever-increasing fraud threat, and further develop and enhance their counter fraud response by ensuring that it is comprehensive and effective and focused on the key changes that will make the most difference.

2.2 A local authority is self-regulating in respect of counter fraud. It should aim to show that it undertakes realistic self-assessment and has identified and understands the major risks it faces. It should acknowledge the problems and put in place plans which can demonstrate that it is taking action with visible outcomes. It should aim to create a transparent process and report the results to the corporate management team and those charged with governance.

2.3 The table in Appendix 1 shows the expected response from a local authority, and our assessment of South Hams arrangements against expectations. It is clear that the Council complies in almost all areas of Counter Fraud best practice. However further work in Joining up the 'Fraud Risk Management' process and Counter Fraud and Audit knowledge between DAP and the Council will add further value to the give a more robust integrated assurance.

2.4 The Counter Fraud Services Manager at Devon Audit Partnership has used current best practice and professional standards in counter fraud to update the Anti-Fraud, Bribery and Corruption Policy so that the Council continues to have an up to date and appropriate response to fraud set out. The Anti-Fraud, Bribery and Response Plans has been split into a separate document as the detail within this document is unnecessary within a Policy.

2.5 The Counter Fraud Services Manager at Devon Audit Partnership has used current best practice and professional standards to update the Whistleblowing Policy. It should be noted that HM Government is currently undertaking a [review of the whistleblowing framework](#). "This review will examine the effectiveness of the whistleblowing framework in meeting its original objectives. The review will provide an up-to-date evidence base to inform government about policy choices to develop and improve the whistleblowing framework." Therefore further Policy change could be required in the near future.

3 National Fraud Initiative

3.1 The [National Fraud Initiative](#) (NFI) is an exercise run and reported on by the [Cabinet Office](#); matches electronic data within and between public and private sector bodies to prevent and detect fraud and error.

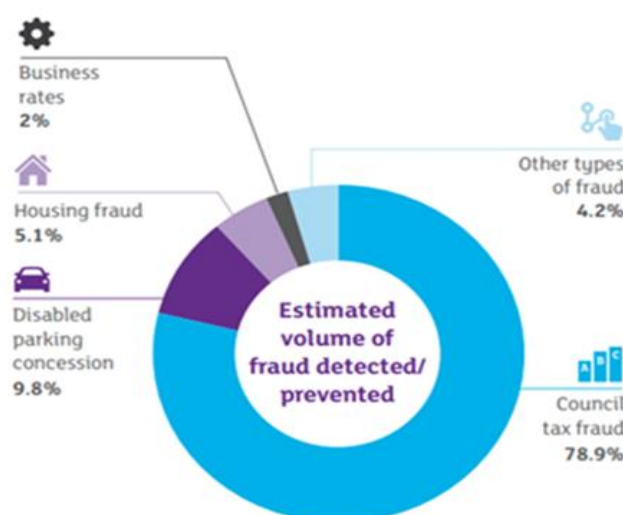
3.2 Devon Audit Partnership acts as the point of contact between the Cabinet Office and the Council in matters relating to the National Fraud Initiative, this being a mandatory Biannual exercise in fraud prevention and detection.

3.3 The Biannual National Exercise for 22/23 is in process and matches have been returned to the Council. Matches will need to be monitored for completion and savings maximised and recorded upon completion.

3.4 Departments that complete the returned matches show that they are actively involved in reducing fraud risk as well making sure that wherever possible their data management is compliant with the Data Protection Act 2018 by ensuring -

- **Data minimisation** by ensuring that South Hams DC only holds data that is required.
- **Accuracy** by ensuring that the data held is as accurate as it can reasonably be expected to be.
- **Data retention periods**, showing that data is not being held longer than is necessary for its intended use.

3.5 In the Chartered Institute of [Public Finance and Accountancy \(CIPFA\) survey in 2019](#), the most common types of fraud faced by all Councils in England and Wales were identified as per the graphic below, it remains imperative that the Council continues to maximise counter fraud activity in these areas to ensure the minimisation of any loss to fraud.



4 Information for Committee

4.1 Local Authorities are far from immune to fraud and its related offences. It is also clear that fraud activity is and has been increasing for some time. Local Authority defences must keep pace with developments or face increasing losses at a time when every penny counts. Every pound saved fighting fraud is a pound that can go back into front line services. Below are some of the most recent reports into the scale of fraud faced by the country and the respective views of those who produce them.

4.2 **Creation of the Public Sector Fraud Authority (Aug 2022) - [The Public Sector Fraud Authority](#)** is the UK government's Centre of Expertise for the management of fraud (and associated error) against the public sector. It leads the Government's Counter Fraud Function.

4.3 **The House of Commons Justice Committee Report (Oct 2022) - [Fraud and the Justice System](#)** is a wide ranging report setting out its recommendations for a new approach to, as the report puts it, 'an epidemic of fraud cases in England and Wales'. The scale is evident from the most recent Office of National Statistics report.

4.4 **The House of Lords Report (Nov 2022) - [How do we break the fraud chain?](#)** Highlights that Fraud is the most common crime in this country today. An adult aged 16 or over in England and Wales is more likely to become a victim of fraud than any other individual crime type.

5 Conclusion

5.1 South Hams District Council's Counter Fraud resilience will continue to improve, moving towards an ever-stronger assurance position. The benchmarking against best practice exercise is encouraging and supports the opinion that the Council is committed to reducing fraud losses to the minimum level possible. However constant vigilance and flexibility are required to ensure that wherever possible every pound of the public purse is protected and spent on those in genuine need of the Councils services.

5.2 The word unprecedented has been used many times over the past three years as a result of circumstances beyond Local Authority control, the current financial pressures on Councils and the people they serve remain unprecedented and the effects should not be underestimated. Financial pressure is a driver for fraud, and as such all Councils should, wherever possible look to increase their fraud resilience. It is of credit that South Hams is committed to building further resilience.



Ken Johnson
Counter Fraud Services Manager

Tony Rose
Head of Devon Audit Partnership



Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon, Mid Devon, North Devon, South Hams and West Devon, councils and Devon and Somerset Fire and Rescue Authority. We aim to be recognised as a high-quality assurance service provider in the public sector.

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

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

Confidentiality and Disclosure Clause - This report is protectively marked in accordance with the Government Security Classifications. 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.

(Fighting Fraud and Corruption Locally 2020)



Appendix 1

Counter Fraud resilience and Best Practice Checklist

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
<p>1. The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its senior Board and its members.</p>	<p>The Authority is now committed to preparing a Fraud and Corruption risk register. This will identify the risks and the controls in place to address these risks.</p> <p>This will then be considered by the Senior Leadership Team (SLT).</p>
<p>2. The local authority has undertaken a fraud risk assessment against the risks and has also undertaken horizon scanning of future potential fraud and corruption risks. This assessment includes the understanding of the harm that fraud may do in the community</p>	<p>The creation of a fraud risk register assessment is ongoing and risks will now be updated as and when new risks arise.</p> <p>In terms of horizon scanning, internal audit (DAP) provide updates on emerging fraud risks and the Devon Audit Group also helps to inform officers of locally developing issues.</p> <p>A local network of key contacts also helps to identify trends and developments.</p>
<p>3. There is an annual report to the audit committee, or equivalent detailed assessment.</p>	<p>Each year a report will now be taken to the Audit & Governance Committee, reporting the results of a self-assessment against the relevant updated and current requirements in line with Managing the Risk of Fraud and corruption. This is on the Audit Plan for consideration at the March 24 Committee meeting.</p> <p>This will now involve the Counter Fraud Services Manager at DAP</p>
<p>4. The relevant portfolio holder has been briefed on the fraud risks and mitigation</p>	<p>The Chair of the Audit & Governance Committee will be briefed on fraud risks and the mitigations thereof.</p>
<p>5. The audit committee supports counter fraud work and challenges the level of activity to ensure it is appropriate in terms of fraud risk and resources.</p>	<p>The Audit & Governance Committee supports all officers in their work to prevent, detect and investigate fraud and corruption.</p> <p>Officers from partner organisations (e.g. Devon Audit Partnership) will be used to provide specialist skills and additional resources as and when required.</p>
<p>6. There is a counter fraud and corruption strategy applying to all aspects of the local authority's business which has been communicated throughout the local authority and acknowledged by those charged with governance.</p>	<p>The Authority had in place an Anti-Fraud, Corruption Bribery Policy, and Strategy. The Policy refers to outdated activity such as the investigation of Housing Benefit and requires updating</p> <p>A new Policy and accompanying Strategy and Response Plan have been created by the Counter Fraud Services Manager at DAP and are on the December 2023 Audit and Governance Committee agenda for consideration.</p>
<p>7. The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.</p>	<p>No system or process can ever be 100% secure, and so employee diligence is always needed, and this is referred to in section 6 "deterrence and prevention" in the current Policy.</p> <p>The Council includes anti-bribery clauses in contracts with third parties and agents.</p> <p>As detailed in 6 above, a new Policy and accompanying Strategy and Response Plan have been created by the Counter Fraud Services Manager at DAP.</p>
<p>8. The risks of fraud and corruption are specifically considered in the local authority's overall risk management process.</p>	<p>A specific fraud and corruption risk entry is not currently recorded in the risk register due to the level of risk being deemed to be low to medium risk.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
<p>9. Counter fraud staff are consulted to fraud-proof new policies, strategies and initiatives across departments, and this is reported upon to committee.</p>	<p>The Authority does not have a dedicated “counter fraud” team and so this role is undertaken by a range of officers, including the Section 151 Officer and Internal Audit (DAP).</p> <p>New policies and strategies are always considered in the light of possible fraud and corruption and are designed to limit such exposure.</p> <p>Access to the Counter Fraud Services Manager and Accredited Counter Fraud Specialist investigators at DAP will further strengthen this position.</p>
<p>10. Successful cases of proven fraud/corruption are routinely publicised to raise awareness.</p>	<p>Successful cases of proven fraud / corruption are reported in the local paper.</p> <p>In addition, such cases will be referred to in the internal newsletter and the Members’ Bulletin.</p>
<p>11. The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to committee.</p>	<p>All systems are designed to prevent fraud occurring. The diligence of management and staff is also key in this.</p> <p>A risk assessment is undertaken of the key risks of fraud, and the controls in place to prevent this taking place.</p> <p>The annual Internal Audit plan is prepared taking in to account risks, which include fraud risks. Internal audit will provide assessment on the effectiveness of controls, and test controls to ensure that they are being complied with in practice.</p> <p>The Audit and Governance Committee is provided reports on risk, and the results of Internal Audit, and this, combined with management assessment of controls, is summarised in the Annual Governance Statement.</p> <p>It is proposed that an Annual Report on Counter Fraud activity is prepared bi-annually for submission to the Audit and Governance Committee as per the new proposed Anti-Fraud, Bribery and Corruption Policy</p>
<p>12. The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering:</p>	
<p>– codes of conduct including behaviour for counter fraud, anti-bribery and corruption</p>	<p>The new Policy, Strategy and Response Plan clearly sets out duties and responsibilities in connection with Fraud, Bribery and Corruption.</p>
<p>– register of interests</p>	<p>A register of member interests is maintained for each member.</p> <p>Councillor Register of Interests</p>
<p>– register of gifts and hospitality.</p>	<p>A register of gifts and hospitality is maintained as part of the Councillors’ Code of Conduct Section 10</p>
<p>13. The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in FFCL 2020 to prevent potentially dishonest employees from being appointed.</p>	<p>The Council undertakes ‘recruitment’ and ‘employment screening’ which cover the employee vetting. All offers of employment are subject to satisfactory pre-employment checks.</p> <p>Mandatory checks include: -</p> <ul style="list-style-type: none"> • References

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
	<ul style="list-style-type: none"> • Verification of employment history Verification of professional qualifications and memberships • Verification of ID, nationality and immigration status and right to work in the UK • Medical clearance <p>Some posts require additional checks including</p> <ul style="list-style-type: none"> • DBS • Credit checks <p>Checks on company directorships held, resigned, or disqualified from (not routinely undertaken)</p>
<p>14. Members and staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to committee.</p>	<p>At the start of each Council meeting a declaration of interests is requested.</p> <p>The Governance lead will remind all officers and members of the need to declare all offers of gifts and hospitality. Such a reminder is made in the internal newsletter, around Christmas time each year.</p>
<p>15. There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by counter fraud experts.</p>	<p>This is being addressed and the Council is now engaged with Counter Fraud professionals to improve knowledge understanding and culture across the organisation.</p> <p>As previously stated, the Council now also has access to an Accredited Counter Fraud Manager and Accredited Counter Fraud Specialists at DAP, which can be utilised as and when required.</p>
<p>16. There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressure.</p>	<p>A separate whistleblowing policy is in place. A new Whistleblowing Policy has been drafted for adoption and is on the December 2023 agenda for approval.</p>
<p>17. Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.</p>	<p>At present the whistleblowing policy applies to all Council workers, including elected and co-opted Members, employees, staff of Council contractors, suppliers of goods and services and agency staff.</p>
<p>18. Fraud resources are assessed proportionately to the risk the local authority faces and are adequately resourced.</p>	<p>Since the transfer of benefits counter fraud staff to Department for Work and Pensions (DWP), fraud resources have been limited.</p> <p>However, (DAP) recently expanded its service provision by taking on the Counter Fraud Team, previously working solely at Plymouth City Council. The team has fully trained and qualified fraud investigators. The Authority will look to “call off” resources as and when the need arises.</p>
<p>19. There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.</p>	<p>There is no annual fraud plan as such.</p> <p>However, there are a range of “work programmes” that are prepared each year, including actions arising for the Governance Review process, Risk Management and Internal Audit.</p> <p>The elements of each of these various plans enables senior management to be assured that suitable</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
	resources are being allocated to prevent, detect and investigate fraud. However, it should be noted that the current level of referrals of fraud and corruption are limited.
20. Statistics are kept and reported by the fraud team which cover all areas of activity and outcomes.	The S151 officer, will maintain a record of referrals. However, and as referred to above, there is no separate fraud team, any referrals made to the Counter Fraud Services Team within DAP would be recorded, stored and disposed of in accordance with the relevant legislation.
21. Fraud officers have unfettered access to premises and documents for the purposes of counter fraud investigation.	As stated above there are no dedicated "fraud officers" within the Council. However, in such instances then lawful access would be granted. For example, if DAP were asked to investigate using their Counter Fraud Team, then "full access" would be granted as per the service level agreement already in place and in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018
22. There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the council's communication team.	Not a programme as such, but the Council is committed to proven cases of fraud being publicised in the local newspaper and via internal channels.
23. All allegations of fraud and corruption are risk assessed.	Each referral or suspicion will be "risk assessed" before embarking upon a course of action proportionate to the issue and in line with South Hams "zero tolerance" policy.
24. The fraud and corruption response plan covers all areas of counter fraud work: <ul style="list-style-type: none"> • Prevention • Detection • Investigation • Sanctions • Redress 	As stated above this is being addressed through the implementation of updated Anti-Fraud Bribery and Corruption Policy and Strategy and Response Plans.
25. The fraud response plan is linked to the audit plan and is communicated to senior management and members.	The Counter Fraud Manager and the Audit Manager at DAP can ensure that the plans are linked and communicated to senior management and members.
26. Asset recovery and civil recovery is considered in all cases.	Yes, the new Policy and Strategy and Response Plan commit the Council to this course of action.
27. There is a zero tolerance approach to fraud and corruption which is always reported to committee.	Yes - there is a "zero tolerance approach to fraud, endorsed by the Audit & Governance Committee. Instances of fraud and corruption are reported to the Audit & Governance Committee through internal audit reports. Due to the sensitive nature of some instances, this may be in summary form.
28. There is a programme of proactive counter fraud work which covers risks identified in assessment.	Proactive counter fraud work is delivered in a variety of ways each year. Some examples of how this is achieved include:- <ul style="list-style-type: none"> • Participation in the bi-annual National Fraud Initiative (NFI)

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
	<ul style="list-style-type: none"> • Elements of internal audit work focused on controls that may be more susceptible to fraud risk • Work by Service Managers – such as Council Tax Single Persons Discount review – This is currently being undertaken.
<p>29. The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.</p>	<p>There is no “fraud team” as such, however early referral to the Police or other agencies will be considered as part of the risk assessment for each referral to the Devon Audit Partnership (DAP).</p>
<p>30. The local authority shares data across its own departments and between other enforcement agencies.</p>	<p>The main external data sharing is via the National Fraud Initiative (NFI). Where appropriate lawful sharing of data will be permitted in accordance with Schedule 2 Part 1 2(1) of the Data Protection Act 2018</p>
<p>31. Prevention measures and projects are undertaken using data analytics where possible.</p>	<p>Such examples include making good use of</p> <ul style="list-style-type: none"> • the NFI (National Fraud Initiative) • Council Tax - Single persons discount review
<p>32. The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.</p>	<p>Data is submitted every two years, with “matches” then investigated in accordance with the scoring of the match (e.g. higher scored matches reviewed first, lowest reviewed last and in accordance with resources available).</p>
<p>33. There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work they too must be trained in this area.</p>	<p>As mentioned earlier, the Authority does not have an in-house counter fraud team. However, the Authority has access to, and will make use of, Counter Fraud Specialists as and when the need arises.</p> <p>For example, the Counter Fraud Team of DAP are available to assist as and when required.</p>
<p>34. The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.</p>	<p>As above</p> <p>The Counter Fraud Team at DAP are fully trained and accredited Counter Fraud Specialists and have dealt with and prosecuted hundreds of cases for Councils in the region.</p>
<p>35. The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for:</p> <ul style="list-style-type: none"> • Surveillance • Computer forensics • Asset recovery • Financial investigations. 	<p>As above</p> <p>The Counter Fraud Team and wider Devon Audit Partnership Team have access to specialist staff that can fully and professionally fulfil the legal requirements under all of the disciplines in this section. (The Council will buy in these skills as and when required).</p>
<p>36. Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.</p>	<p>The Authority is committed to ongoing and continual improvement. Any weaknesses identified will be addressed wherever possible, although it should be noted that no system can ever be considered 100% free from the risk of fraud.</p>
<p>37. Counter Fraud Training is available for all staff and members to ensure that they are up to date with relevant threats and are able to identify and report fraud appropriately. Fraud awareness is specifically important for those involved in the Procurement process as highlighted in</p>	<p>There is no formal training in place, however Fraud Awareness is highlighted periodically via the internal website.</p> <p>Recommend - fraud awareness sessions are arranged for those in the highest risk positions in the Council.</p>

CIPFA / CIFAS expected Local Authority response to the risk of fraud and corruption.	South Hams DC current position and action
Review into the risks of fraud and corruption in local government procurement	The Authority will look to “call off” resources as and when the need arises.
38. The Local Government Transparency Code Identifies what information must be published annually (para 53) and what is suggested (para 68)	This information has not currently been published. As per 19 above, current referral levels are limited. This will be resolved and the DAP Counter Fraud Services Manager will be able to assist with clarification where required.

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devon**audit**partnership

Counter Fraud Services

Counter Fraud Services

Devon Audit Partnership

South Hams District Council
Whistleblowing Policy



December 2023



Support, Assurance & Innovation

WHISTLEBLOWING POLICY

1. POLICY STATEMENT

- 1.1 South Hams District Council is committed to the highest possible standards of honesty, openness and accountability in public life.
- 1.2 All organisations face the risk of things going wrong or of unknowingly harbouring malpractice. This Policy has been developed in accordance with the provisions of the [Employment Rights Act 1996](#), as amended by the [Public Interest Disclosure Act 1998](#). It is also supplemental to and supports the Council's Anti-Fraud, Bribery and Corruption Policy. It also is part of the Council's role in identifying and taking measures to remedy all malpractice, particularly regarding issues of fraud and corruption.
- 1.3 We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible. We welcome all genuine concerns and will treat your issues seriously - this policy explains how to raise a concern, the types of activity you should report, the protection we can provide, confidentiality, our response and how you can take matters further, if necessary.
- 1.4 By promoting a culture of openness within the Council, we want to encourage individuals to feel confident and come forward to raise both disclosures and serious allegations of wrongdoing; this may involve the actions of the Council's employees, its Councillors, contractors or any aspect of the Council's activities. Disclosures can be made through established internal channels, without fear of victimisation, detriment or risk to job security.

2. SCOPE AND AIMS OF THE POLICY

Aims

- 2.1 The policy sets out the procedure via which the Council will deal with a whistleblowing complaint and, where the complainant is an employee, the measures in place to ensure the protection due to them under the Employment Rights Act 1996.
- 2.2 A whistleblowing complaint is the disclosure of information which relates to suspected wrongdoing or dangers at work within the Council. This may include:
- (a) criminal activity.
 - (b) failure to comply with any legal or professional obligation [or regulatory requirements];
 - (c) miscarriages of justice.
 - (d) danger to health and safety.
 - (e) damage to the environment.
 - (f) bribery and/or corruption.
 - (g) financial fraud or mismanagement.
 - (h) conduct likely to damage our reputation or financial wellbeing.
 - (i) unauthorised disclosure of confidential information.
 - (j) negligence.
 - (k) the deliberate concealment of any of the above matters.

2.3 The Policy aims to:

- (a) Provide the framework for employees to feel that there are protections in place for them and the reassurance that there will be protection from reprisals or victimisation for employees who raise a whistleblowing complaint in good faith in accordance with this procedure.
- (b) Ensure employees, and all other persons to feel confident in raising that when they wish to raise concerns there is a process in place under which they will be dealt with.
- (c) Provide avenues for employees to raise these concerns and receive feedback on any action taken.
- (d) Set out a procedure by which the matter can be taken further where there is dissatisfaction with the Council's response.

Scope

- 2.4 This whistleblowing policy applies to all [employees](#) wishing to raise a whistleblowing complaint.
- 2.5 UK law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistle-blowing disclosure considered to be in the public interest. In addition to the employer's liability, the individual who subjects the employee to such treatment may also be held personally liable.
- 2.6 Whilst the process for dealing with complaints in this policy apply to any person raising a whistleblowing complaint, where allegations are raised by other individuals who are not direct employees (including, councillors, agency workers, consultants, contractors, sub-contractors) the protection measures within this will not apply.
- 2.7 Although the Council will endeavour to provide appropriate advice and support wherever possible in this eventuality, it is recommended that advice is sought from a trade union representative or from Protect (formerly Public Concern at Work) an independent charity set up to provide advice and guidance about whistleblowing issues. Contact details for [Protect](#) are given in Section 10 below.
- 2.8 This policy does not replace:
- (a) Our existing Grievance Resolution Policy and Procedure. You should use these policies if you have a personal grievance or are unhappy with the way you are being treated. This includes harassment, discrimination or unfair treatment as a result of a protected characteristic under the [Equality Act 2010](#). The Whistleblowing arrangements are not intended to give you a further opportunity to pursue a grievance or complaint once you have exhausted the relevant employment procedures.
 - (b) Corporate Complaints Procedure Individuals wishing to bring a complaint about the delivery of a Council service to them where it is not a serious issue (as falling within 2.2 above) should use the Corporate Complaints Procedure.
 - (c) Our Councillor Complaints Arrangements. Individuals (other than employees, due to the statutory protection of staff whistleblowing) wishing to bring a complaint against a Councillor should use the Councillor Complaints Process and submit a complaint to the Monitoring Officer, in the first instance. This will not prevent the

complaint being taken forward under the Whistleblowing arrangements, where appropriate.

3. SAFEGUARDS

3.1 Harassment or Victimisation (employees) The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for, or suspected of, the malpractice. The Council will not tolerate harassment or victimisation of any employee as a result of them raising a whistleblowing complaint. The Council will take action to protect staff when they do so in good faith. However, this does not mean that if a member of staff is already the subject of disciplinary or redundancy procedures, those procedures will be halted because of their 'Whistleblowing'.

3.2 Confidentiality The Council will do its utmost, subject to any over-riding legal obligations, to protect an individual's identity when they raise a concern and do not want their name to be disclosed. It must be realised and appreciated, however, that the investigation process itself may well reveal the source of the information, and, depending on the outcome, a formal statement by the individual may be required as part of the evidence.

3.3 Anonymous Allegations Remember, this policy is designed to encourage employees to put their names to allegations. If you do not tell us who you are, it will be much more difficult for us to look into the matter, to protect your position or to give you feedback. Concerns which are reported anonymously are much less powerful, but if they contain sufficient detail they will be considered at the discretion of the Council. The factors to be considered would include:

- (a) The seriousness of the issue raised.
- (b) The credibility of the concern; and
- (c) The likelihood of confirming the allegation from attributable sources.

3.4 Untrue Allegations If an employee makes an allegation in good faith, reasonably believing it to be true, but it is not confirmed by the investigation, no action will be taken against them. If, however, individuals make malicious or vexatious allegations, disciplinary action may be considered and implemented.

4. RAISING A CONCERN

4.1 Initially, employees are encouraged to raise concerns with:

- (a) Their immediate line manager or their line manager's manager;

4.2 If this is not appropriate due to the nature of the concerns, or where the person is not an employee, the individual can raise their concerns with:

- (a) A Head of Service
- (b) An Assistant Director
- (c) A Director within the Senior Leadership Team (SLT)
- (d) The Chief Executive.

OFFICIAL

- 4.3 Individuals who are unsure about reporting or do not feel at ease raising the concern through any of the above routes are encouraged to seek advice from one of the following:
- (a) The Head of Devon Audit Partnership
 - (b) The Head of Legal Services (Monitoring Officer)
 - (c) Section 151 Officer (Corporate Director of Strategic Finance)

4.4 Employees may ask their Trade Union or professional association to raise the concern on their behalf.

4.5 Concerns should be raised in writing, where possible. The background and history of the concern should be set out, giving names, dates and places where possible, and the reason why the individual is concerned about the situation. Those who do not feel able to put their concerns in writing may raise the matter verbally with the appropriate officer.

4.6 Although employees are not expected to prove the truth of their concern, they will need to demonstrate to the person contacted that there are sufficient grounds for concern.

5. HOW THE COUNCIL WILL RESPOND

5.1 Within ten working days of a concern being received, the relevant Director from the Council will contact the individual raising the complaint:

- (a) Acknowledging that the concern has been received.
- (b) Indicating how it proposes to deal with the matter.
- (c) Telling the employee whether any initial enquiries have been made.
- (d) Telling the employee whether further investigations will take place, and if not, why not.

5.2 The action taken by the Council will depend on the nature of the concern.

5.3 The matters raised may:

- (a) Be investigated internally.
- (b) Be referred to the Police.
- (c) Be referred to the External Auditors.
- (d) Form the subject of an independent inquiry by the Ombudsman.

5.4 To protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other, existing, procedures (e.g. discrimination issues) will normally be referred for consideration under those procedures.

5.5 Some concerns may be resolved without the need for investigation. Where a formal investigation is required, it is likely to take the form of an investigation by a manager or by Devon Audit Partnership. In certain cases, the matters raised may be referred to the Police or the Council's external auditors for investigation or an independent inquiry could be set up.

5.6 The amount of contact between the managers considering the issues raised and the complainant will depend on the nature of the matters raised, the potential difficulties involved, and the clarity of the information provided.

- 5.7 When any meeting is arranged, employees have the right, if they so wish, to be accompanied by a Trade Union or professional association representative or a work colleague who is not involved in the area of work to which the concern relates.
- 5.8 The Council will take steps to minimise any difficulties which employees may experience as a result of raising a concern. For instance, if employees are required to give evidence in criminal or disciplinary proceedings, the Council will advise them about the procedure.
- 5.9 The Council accepts that employees need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, and the requirement for confidentiality of others involved in the process, employees will receive information about the outcomes of any investigations.
- 5.10 If an employee is not assured that the matter has been properly addressed, they should contact the Head of Devon Audit Partnership, or consider an alternative method of taking forward a complaint (section 6).

6. ALTERNATIVE METHODS OF TAKING FORWARD A COMPLAINT

6.1 This policy is intended to provide employees with an avenue to raise concerns within the Council. If an individual is not satisfied, and feels it is right to take the matter outside this process, possible contact points are listed below including Protect (formerly Public Concern at Work), an independent charity set up to provide advice and guidance about whistleblowing issues.

- (a) The local Council member (if you live in the area of the Council).
- (b) The External Auditor.
- (c) Relevant professional bodies or regulatory organisations.
- (d) Individuals' solicitors.
- (e) A relevant charity or voluntary organisation such as Protect.
- (f) The Police.

6.2 If an employee does take the matter outside the Council, they need to ensure that they do not disclose confidential information or that disclosure would be privileged. This should be checked with one of the designated contact points, Devon Audit Partnership, Legal Services, Human Resources or if preferred, an outside organisation such as the Ombudsman or Protect.

7. THE RESPONSIBLE OFFICER

7.1 The Head of Devon Audit Partnership has overall responsibility for the maintenance and operation of this policy.

7.2 The Head of Devon Audit Partnership will maintain a record of concerns raised and the outcomes (in an anonymous format) and will report as necessary to the Audit and Governance Committee.

8. REVIEW AND MONITORING

OFFICIAL

- 8.1 This policy is to be reviewed and monitored every 2 years the next review date is December 2025.
- 8.2 The Head of Devon Audit Partnership will monitor this policy. In this regard managers, councillors and trade union representatives must inform Devon Audit Partnership immediately should concerns falling under the scope of this policy be raised with them.

9. KEY CONTACT INFORMATION

Devon Audit Partnership: Internal Audit Team Tel: 01392 382437 Email: dap@devon.gov.uk

Counter Fraud Team Tel: 01752 304450 Email: counter.fraud@devon.gov.uk

Legal Services (Monitoring Officer): Email: david.fairbairn@swdevon.gov.uk

Financial Services (S151 Officer): Email: lisa.buckle@swdevon.gov.uk

Protect (formerly Public Tel: 020 3117 2520 Concern at Work) Website: <https://protect-advice.org.uk/advice-line/>

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Report to: **Audit & Governance Committee**

Date: **14 December 2023**

Title: **Local Government Ombudsman – Annual Review Letter**

Portfolio Area: **Councillor Nicky Hopwood
Executive Member – Performance**

Wards Affected: **All**

Author: **Neil Hawke** Role: **Assistant Director – Strategy**

Contact: Neil.Hawke@swdevon.gov.uk

RECOMMENDATIONS:

That the Audit & Governance Committee REVIEWS the Ombudsman Annual Letter for 2022-23 (attached at Appendix A).

1. Executive summary

- 1.1 The Local Government and Social Care Ombudsman (LGSCO) looks at complaints about the council where the complainant considers that we have not sufficiently addressed their concerns.
- 1.2 This report sets out the LGSCO's Annual Review Letter regarding complaints that they have considered during the period 1st April 2022 to 31st March 2023 (please see Appendix A).
- 1.3 During this period, the Ombudsman had received 16 complaints but concluded that none of them required investigation which demonstrates excellent complaint handling and resolution at a local level within the Council. This compares to two upheld investigations in the previous year.
- 1.4 It is therefore recommended that the Audit & Governance Committee note the letter at Appendix A

2. Overview of complaints handling

- 2.1 The Council continues to actively monitor complaints data and take steps to respond where required. The Council's complaints process has two stages:
 - Stage 1 – Complaints are received where a resident is dissatisfied with the service received from the Council. During the 22/23 year, 208 Stage 1 complaints were received. Of

those, 89 were upheld by the Council where we admit a mistake was made and take steps to put it right; and

- Stage 2 – If a resident feels that our stage 1 response had not suitably addressed their concerns, they can appeal to Stage 2. During the 22/23 year, 29 complaints were escalated to Stage 2. Of those, 10 were upheld (9 relating to Domestic Waste and 1 Planning Enforcement).

2.2 Where the complainant remains of the view that the Council has still not addressed their concerns at Stage 2, they can request that the Local Government and Social Care Ombudsman consider the matter.

3. Proposal and Next Steps

3.1 That the Audit & Governance Committee note the Ombudsman Annual Letter as set out in Appendix A to this report and the positive handling of Council complaints.

4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	The Ombudsman considers if the Council has complied with its own processes and procedures as well as statutory requirements.
Financial implications to include reference to value for money	Y	Effective complaint handling is one element of ensuring value for money for residents.
Risk	N	
Supporting Corporate Strategy	Y	Performance and Resources
Consultation & Engagement Strategy	N	
Climate Change - Carbon / Biodiversity Impact	N	
Comprehensive Impact Assessment Implications		

Equality and Diversity	N	
Safeguarding	N	
Community Safety, Crime and Disorder	N	
Health, Safety and Wellbeing	N	
Other implications	N	

Supporting Information

Appendices:

Appendix A – Local Government & Social Care Ombudsman Annual Letter

Background Papers:

None

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19 July 2023

By email

Mr Bates
Chief Executive
South Hams District Council

Dear Mr Bates

Annual Review letter 2022-23

I write to you with your annual summary of complaint statistics from the Local Government and Social Care Ombudsman for the year ending 31 March 2023. The information offers valuable insight about your organisation's approach to complaints. As always, I would encourage you to consider it as part of your corporate governance processes. As such, I have sought to share this letter with the Leader of your Council and Chair of the appropriate Scrutiny Committee, to encourage effective ownership and oversight of complaint outcomes, which offer such valuable opportunities to learn and improve.

The end of the reporting year, saw the retirement of Michael King, drawing his tenure as Local Government Ombudsman to a close. I was delighted to be appointed to the role of Interim Ombudsman in April and look forward to working with you and colleagues across the local government sector in the coming months. I will be building on the strong foundations already in place and will continue to focus on promoting improvement through our work.

Complaint statistics

Our statistics focus on three key areas that help to assess your organisation's commitment to putting things right when they go wrong:

Complaints upheld - We uphold complaints when we find fault in an organisation's actions, including where the organisation accepted fault before we investigated. We include the total number of investigations completed to provide important context for the statistic.

Over the past two years, we have reviewed our processes to ensure we do the most we can with the resources we have. One outcome is that we are more selective about the complaints we look at in detail, prioritising where it is in the public interest to investigate. While providing a more sustainable way for us to work, it has meant that changes in uphold rates this year are not solely down to the nature of the cases coming to us. We are less likely to carry out investigations on 'borderline' issues, so we are naturally finding a higher proportion of fault overall.

Our average uphold rate for all investigations has increased this year and you may find that your organisation's uphold rate is higher than previous years. This means that comparing uphold rates

with previous years carries a note of caution. Therefore, I recommend comparing this statistic with that of similar organisations, rather than previous years, to better understand your organisation's performance.

Compliance with recommendations - We recommend ways for organisations to put things right when faults have caused injustice and monitor their compliance with our recommendations.

Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the organisation upheld the complaint and we were satisfied with how it offered to put things right. We encourage the early resolution of complaints and credit organisations that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your organisation with similar authorities to provide an average marker of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data, and a copy of this letter, will be uploaded to our interactive map, [Your council's performance](#), on 26 July 2023. This useful tool places all our data and information about councils in one place. You can find the detail of the decisions we have made about your Council, read the public reports we have issued, and view the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

Supporting complaint and service improvement

I know that complaints offer organisations a rich source of intelligence and insight that has the potential to be transformational. These insights can indicate a problem with a specific area of service delivery or, more broadly, provide a perspective on an organisation's culture and ability to learn. To realise the potential complaints have to support service improvements, organisations need to have the fundamentals of complaint handling in place. To support you to do so, we have continued our work with the Housing Ombudsman Service to develop a joint complaint handling code that will provide a standard for organisations to work to. We will consult on the code and its implications prior to launch and will be in touch with further details.

In addition, our successful training programme includes practical interactive workshops that help participants develop their complaint handling skills. We can also offer tailored support and bespoke training to target specific issues your organisation might have identified. We delivered 105 online workshops during the year, reaching more than 1350 people. To find out more visit www.lgo.org.uk/training or get in touch at training@lgo.org.uk.

We were pleased to deliver three online complaint handling courses to your staff during the year. I welcome your Council's investment in good complaint handling training and trust the courses were useful to you.

Yours sincerely,

A handwritten signature in blue ink that reads "P. Najsarek". The signature is written in a cursive style with a large initial 'P'.

Paul Najsarek
Interim Local Government and Social Care Ombudsman
Interim Chair, Commission for Local Administration in England

Complaints upheld
<p>The Ombudsman carried out no detailed investigations during this period</p>
Compliance with Ombudsman recommendations
<p>No recommendations were due for compliance in this period</p>
Satisfactory remedy provided by the organisation
<p>The Ombudsman did not uphold any detailed investigations during this period</p>

St Ann's Chapel and Housing Offer Task and Finish Group: Draft Terms of Reference

The Audit and Governance Committee has resolved to establish a Task and Finish Group to explore in detail the genesis outcomes of the St Ann's Chapel development. The, almost complete, development will provide housing for local residents and is owned by South Hams District Council.

The objectives of the Group are to:

- Assess the original objectives of the development against what has been delivered;
- Examine the business case for the development, including the funding and financing of the capital project to build 11 houses at St Ann's Chapel in Bigbury, of which 8 are new affordable homes;
- Assess the value for money unit cost to build affordable rented homes in Bigbury;
- Explore the costs of the development against original plans and alternative acquisition / building options;
- Assess the ownership structure of the development and lettings policy;
- Using the above (and other pertinent information that arises), identify any risks to the Council and residents, and propose appropriate mitigations, if possible;
- Based on the above, make recommendations in the first instance to the Audit and Governance Committee, to make recommendations to Council as to suitability of the approach to housing used in the development to meet the housing crisis in South Hams; and
- report on the new approach of the South Hams Housing Offer to communities to support affordable housing delivery (as set out in the Executive Report 'Housing Policy Update' on 30th November 2023). To take the learning from St Anns Chapel and assess how this has been applied to the new delivery model within the South Hams Housing Offer.

Methodology

The Task and Finish Group will complete its work through both examination of key documentation as well as through informal sessions with relevant Officers. Officers may want to present key information to Members of the Task and Finish Group but it is expected that Members will have opportunity to question Officers. It is expected that Members will want the opportunity to present a list of questions to Officers prior to meetings, this will enable full answers to be given and for any relevant data to be produced. It is also expected that Members will want the opportunity to visit the development.

It is intended that that Group will meet on no more than 3 separate occasions and will agree dates of the remaining meetings at its first meeting.

Outputs

The Task and Finish Group will produce a concluding report based on the above. The report will be produced by Members of the Group in consultation with officers and presented to the Audit and Governance Committee and/or to the Executive, with recommendations to Council if appropriate.

Membership of the Task and Finish Group

Cllr David Hancock (Chair), Cllr Alison Nix, Cllr Chris Oram and Cllr Anna Presswell

Meeting invites to also be extended to Cllr Denise O'Callaghan (Executive Member for Housing)

Proposed Workplan for the Audit & Governance Committee for the 2023/24 Municipal Year

Committee Meeting Date	Agenda Items
28 March 2024 – 2.30pm	<ul style="list-style-type: none"> i) Audited Annual Statement of Accounts, Annual Governance Statement and Audited Summary Accounts 2022/23 ii) Grant Thornton – Audit Opinion on the 2022/23 Statement of Accounts iii) Bishop Fleming – Audit Plan for the 2023/24 Statement of Accounts iv) Proposed Internal Audit Plan for 2024/25; v) Update on Progress on 2023/24 Internal Audit Plan; vi) 2024/25 Capital Strategy; 2024/25 Treasury Management Strategy; and 2024/25 Investment Strategy; vii) Budget Book 2024/25; viii) Shared Services Methodology 2023/24; ix) Report of the Task and Finish Group – St Ann’s Chapel and Housing Offer x) Annual Standards report – report of the Monitoring Officer xi) Internal Audit Tracker xii) Fraud Risk Assessment and Annual report on Counter Fraud activity – report of the S151 Officer xiii) Committee Workplan

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Audit Committee Workplan 2023/24 (NB. to include consideration of the formal request of the Executive to review the merits of awarding Yealm Community Energy a grant in the order of £100,000)

Agenda Item 15

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