

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**

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## **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:

<b>Audit</b>	<b>Business Area</b>	<b>Assurance Opinion</b>	<b>Comments</b>
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	<p>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.</p> <p>The team use an audit management system (Ideagen) which enables managerial review to take place remotely, thus also saving on the need for travel.</p>
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**

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

# Internal Audit Progress Report 2023-24

## South Hams Audit & Governance Committee

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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## 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.

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

## Executive Summary of Audit Results

### 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:

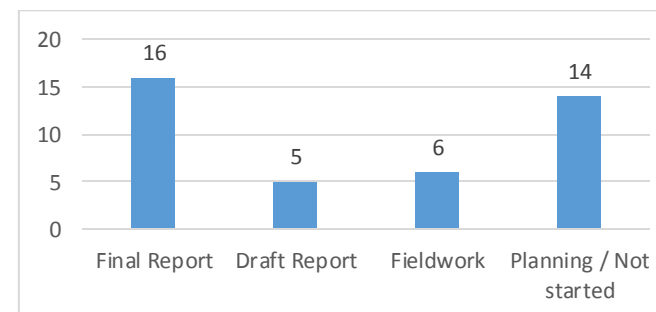
- Providing objective and relevant assurance.
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.
- Adjusting the audit plan when needed to provide real time assurance.
- Comparing and contrasting controls across the different Devon Councils 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
<b>Treasury Management</b>  <b>Substantial Assurance</b>	<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><b>No management actions were required for this audit.</b></p>
<b>Electoral Registration</b>  <b>Substantial Assurance</b>	<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

### Substantial Assurance

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.

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.

	<p><b>We agreed five Medium and three Low priority management actions.</b></p>
<p><b>Comments and Complaints</b></p> <p><b>Reasonable Assurance</b></p>	<p>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.</p> <p>Strengths related to the area include:</p> <ul style="list-style-type: none"> <li>• An improved website provides comprehensive information for customers and an online process to capture issues.</li> <li>• Regular weekly reminders are sent to services to identify complaints and encourage a prompt response to complaints.</li> <li>• Ombudsman complaints are notified to the required officers and senior management and records are retained accurately and securely.</li> <li>• Regular training has been provided to officers and is frequently updated.</li> <li>• Lessons learned are recorded and reported to the Extended Leadership Team.</li> <li>• Work is undertaken to identify and address process issues and reduce recurring complaints.</li> <li>• Direct feedback is obtained from customers and those completing complaints to improve the process and service issues.</li> </ul> <p>Opportunities to enhance the process are:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• Improvements are required on how to respond and store complaints related to officers and other sensitive cases.</li> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> </ul>

- 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.

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.

Domestic waste, development management, council tax and planning enforcement are the services with the highest complaints in descending order.

**We agreed four Medium, and seven Low priority management actions.**

## Members Allowances

### Reasonable Assurance

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.

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.

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.

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.

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.



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.

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.

**We agreed three Medium and two Low priority management actions.**

**Batson  
Development review**

**We do not provide an  
opinion for this work.**

At the request of this committee, we reviewed the Batson development and note:

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.

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.

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.



## Appendix 2 – Progress to deliver the audit plan.

Audit	Business Area	Assurance Opinion	Comments
<b>Final Report issued / Work Completed</b>			
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Insurance	Strategy and Governance	Reasonable	
Food Safety	Place and Enterprise	Reasonable	
Council Tax Rebate Checks	Strategic Finance	Reasonable	
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Creditors	Strategic Finance	Reasonable	
Changing Places Fund Grant	Strategic Finance	Grant Certified	
UK Shared Prosperity Fund	Strategic Finance	Substantial	

Audit	Business Area	Comments
<b>Draft Report</b>		
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
<b>Fieldwork</b>		
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
<b>Planning / Not Yet Started</b>		
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
<b>Planning / Not Yet Started</b>		
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	