Auditor's Annual Report on North Devon District Council

2020-21

28 January 2022

Contents

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 the matters which have come to our attention, which we believe need to be reported to you. 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.

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 Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

2020/21 was an unprecedented year in which the Council operated with the majority of its staff home working whilst supporting local businesses and residents through the pandemic. The Council incurred significant cost pressures relating to Covid-19 including supporting leisure operations and ensuring the waste and recycling service could continue to operate. Reductions in income were also significant, particularly in relation to carparking and waste services. The Council administered £70m in government funded business grants and £20m in expanded business rate relief to support businesses through the pandemic. Against this background, and after accounting for government funding of £1.575m in Covid-19 support grant and £1.411m reimbursement for lost income, the Council achieved a £0.593m revenue surplus for the year.

We have not identified any significant Value for Money (VFM) weaknesses, but have identified 10 opportunities for improvement which are set out in detail within our report.

Criteria	Risk assessment	Finding
Financial sustainability	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but four improvement recommendations made
Governance	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	No significant weaknesses in arrangements identified, but three improvement recommendations made

(Green)	No significant weaknesses in arrangements identified.
(Amber)	No significant weaknesses in arrangements identified, but improvement recommendations made.
(Red)	Significant weakness in arrangements identified and key recommendation made.

Financial sustainability

Overall we are satisfied that the Council had appropriate arrangements in place to manage the financial resilience risks it faced with regard to budget setting, monitoring, reporting and the medium term financial plan. We have not identified any risks of significant weakness in these areas but have identified opportunities for improvement. Specifically:

- performing a risk based calculation for the minimum level of General Fund balances,
- extending the financial planning time frame,
- more detailed monitoring of savings as schemes are developed within the medium term financial strategy, and
- increasing the level of information available to Members when approving capital programme carry forwards.

Further details and managements response is provided on pages 12-15.

Governance

We have not identified any areas of significant weakness in the Council's governance arrangements with regard to managing risk, setting ethical standards, internal control and budget monitoring. We have, however, made improvement recommendations with regard to:

- strengthening risk management arrangements by mapping risk to corporate objectives and only reporting red RAG rated risks to Members,
- ensuring the net costs of the pandemic, and other non-recurring costs in the future, are provided in the budget monitoring information provided to Members, and
- ensuring the Monitoring Officer should attend all Senior Management Team meetings.

Further details and managements response is provided on pages 19-21.

Improving economy, efficiency and effectiveness

We have not identified any areas of significant weaknesses in arrangements with regard to improving economy, efficiency and effectiveness. We have made a recommendation to further improve performance management by RAG rating key performance indicators reported to Members, and supporting the detailed data with a narrative to aid understanding of the overall level of performance of the Council and where areas of concern exist what mitigating actions are being taken. The Council should also consider the need for a Data Quality Policy to ensure the quality, transparency and consistency of data reported in performance indicators. We recommend that the Council undertakes benchmarking with other local authorities to identify areas for financial or performance improvement.

Further details and managements response is provided on pages 26-28.

Opinion on the financial statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council’s income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed remotely during August to October 2021. Full details of our findings from the audit are detailed in our Audit Findings Report dated 17 September 2021.

Our audit work did not identify and material errors or adjustments to the financial statements. We did recommend a small number of adjustments to improve the presentation of the financial statements.

We raised a high-level recommendation in relation to ensuring the Council has robust and transparent monitoring arrangements for schemes that are approved as part of the commercial strategy.

We gave an unqualified opinion on the Council’s 2020/21 financial statements on 27 October 2021. An emphasis of matter was reported in relation to the material uncertainty referenced in the Council’s accounts in respect of the effects of the Covid-19 pandemic on the valuation of some of the Council’s property, plant and equipment.

Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its 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 each of these three areas, as well as the impact of Covid-19, is set out on pages 6 to 28. Further detail on how we approached our work is included in Appendix B.

Financial sustainability

We considered how the Council:

- responded to the financial challenges posed by the Covid-19 pandemic
- identifies all the significant financial pressures it is facing and builds these 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
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2020/21

The 2020/21 General Fund outturn position was a £0.593m surplus against the original budget. This outturn position reflects financial pressures associated with the pandemic including £1.656m in reduced carparking income, £0.425m support to leisure operations and £0.363m additional agency costs for the waste and recycling service. The Council received significant financial support from the government to fund the costs of the pandemic, including £1.575m in general Covid-19 support grant and £1.411m in compensation for lost sales, fees and charges.

The Council utilised this outturn position to bolster financial resilience by allocating £0.375m to a Covid-19 budget management reserve and £0.05m to General Fund balances. Corporate priorities were supported by allocating £0.118m to economic development and £0.05m to environmental initiative reserves.

The capital expenditure budget for 2020/21 was revised to £7.11m after accounting for schemes carried forward from 2019/20 and in year adjustments approved by the Council. Against this budget actual expenditure of £6.171m was incurred, including £3.367m on leisure provision and £1.254m on disabled facility grants.

Covid-19 arrangements

Covid-19 posed a significant financial challenge to the Council's financial sustainability and made financial forecasting difficult as new periods of national lockdown were announced and additional tranches of government support allocated to councils. The Council did not reset the 2020/21 budget in response to the pandemic, but continued to report variances in costs and income against the original budget set in February 2020.

Early on in the pandemic, when there was no certainty as to the level of government financial support, the Council was forecasting that the cost of the pandemic could result in a year-end deficit of £2.9m. The Council continued to monitor the costs of the pandemic through the monthly Covid-19 financial management returns to the government, and as the financial year progressed and both costs and support became more certain, the net position reported to Members each quarter gradually improved.

Budget 2021/22

The 2021/22 budget was set based on the funding announced in the local government finance settlement. This froze the Council's funding assessment at current levels but introduced additional measures to support councils through their recovery from the pandemic, such as another tranche of general Covid-19 funding, additional sales, fees and charges (SFC) compensation grant, and a new one-off tranche of New Homes Bonus grant. The Council included the £0.537m Covid-19 support grant in the base budget. Also included are estimates of Covid-19 cost pressures and income pressures net of the SFC grant.

The 2021/22 budget is not heavily reliant on achieving savings to balance the overall financial position. In addition to the one-off measures announced in the settlement, the budget benefited from the delay to the reset of the retained business rate system which meant that the Council could continue to account for £1.509m of retained business rate growth. Funding within the budget also includes a 2.65% or £5 increase in council tax in accordance with referendum principles, but reflects a reduction in the tax base due to the effects of the pandemic on the Local Council Tax Support scheme and collection rates.

Within this context there was no public consultation as part of the 2021/22 budget setting process nor detailed consideration of alternative proposals.

Our work has confirmed that the budget is informed by the medium term financial strategy (MTFS) which is approved as part of the budget report. Risks and assumptions relating to the budget are clearly set out and reported to Members.

The impact of borrowing and investment activity is reflected in the revenue budget, with the budget book clearly setting out the costs of interest payable, Minimum Revenue Provision (MRP), and income from interest receivable.

There is adequate engagement and challenge from the Policy Development Committee as part of the budget process. As part of the budget setting process Heads of Service prepared service plans for 2021/22 onwards which were considered by the Policy Development Committee in January 2021. Where applicable the financial implications of these plans are reflected in the budget. The Policy Development Committee considers and comments on the budget reports prior to approval by Council, including the Revenue Budget, Fees and Charges, Capital Strategy and Treasury Management Strategy.

Overall we found no evidence of significant weaknesses in the Council's budget setting arrangements and have not identified any improvement recommendations in respect to the process.

Medium term financial strategy (MTFS)

Review of the Council's MTFS indicates that financial planning is based on realistic assumptions and that these are clearly set out in reports to Members. The MTFS includes assumptions around New Homes Bonus, business rate income, council tax increases, fees and charges, pay increases and borrowing costs.

There is additional uncertainty with financial planning due to the recent annual financial settlements, the pushing back of the fair funding review, and delay in the reset of the business rate retention scheme. The MTFS models the effect of changes to government funding using the best knowledge available, with the version approved in February 2021 forecasting a business rate reset in 2022/23 and a net reduction in business rate income of £0.916m.

The cumulative budget gaps identified in the February 2021 MTFS are set out in the table below.

Cumulative budget gaps identified in the February 2021 MTFS

Year	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Budget gap	0	2.270	2.785	2.890

The Council approved the Commercial Strategy in November 2020 and this will underpin the MTFS going forward by identifying opportunities to invest in projects, generate sustainable income and improve the efficiency of the Council. Targets include generating £0.5m new revenue income by 31 March 2023 and a 5% reduction in both back office and building costs by 31 March 2024.

Two significant regeneration schemes focused on the market area and high street have been approved under the strategy and are forecast to generate significant additional income streams that can be factored into the MTFS. The financial statements Audit Findings Report, presented to the Governance Committee in October 2020, made a high level recommendation that the Council needs to ensure robust and transparent arrangements are put in place to ensure Members are adequately sighted on how each scheme performs against the approved business case.

The Capital Strategy approved in February 2021 highlights the changes to the PWLB lending terms where councils can no longer access this source of borrowing if they have plans to purchase commercial assets primarily for yield, recognising that careful consideration is therefore needed before decisions are made under the Commercial Strategy. The Council is right to highlight this as requiring careful consideration. The revised CIPFA Prudential Code, which will be available from December 2021, will reinforce the principle of what is prudent activity for local authorities and will clarify that local authorities must not borrow to fund primarily yield generating investments.

The MTFS does not include the financial benefits from service reviews in areas such as Waste and Recycling and 3-weekly residual waste collection, Commercial Waste and Public Conveniences. The targets in the Commercial Strategy relating to reducing back office and building costs are likely to be achieved through the "Everything Changes" transformation programme. As these service reviews are carried out, and potential savings identified for the MTFS, the Council should ensure it carries out consultations within the community as appropriate. The Council is considering the need for a Communications and Engagement Strategy as part of the Annual Governance Statement actions.

Savings included within the MTFS for 2022/23 include £0.115m leisure centre maintenance and £0.381m leisure centre revenue subsidy resulting from the new build and contract. Savings built into the revenue budget are monitored on an exception only basis, with few savings built into the 2020/21 or 2021/22 budgets. However, we have made an improvement recommendation that as savings schemes become more prominent in the MTFS, budget monitoring should include a savings tracker to inform Members on the progress made in achieving savings plans relevant to balancing future years.

The MTFS is updated and approved annually in February as part of the revenue budget report. Due to the increased financial uncertainty caused by the pandemic, there was a further update in October 2020. The Council's MTFS covers a four year period, and we have made an improvement recommendation that it should be extended to current year plus five in accordance with CIPFA best practice.

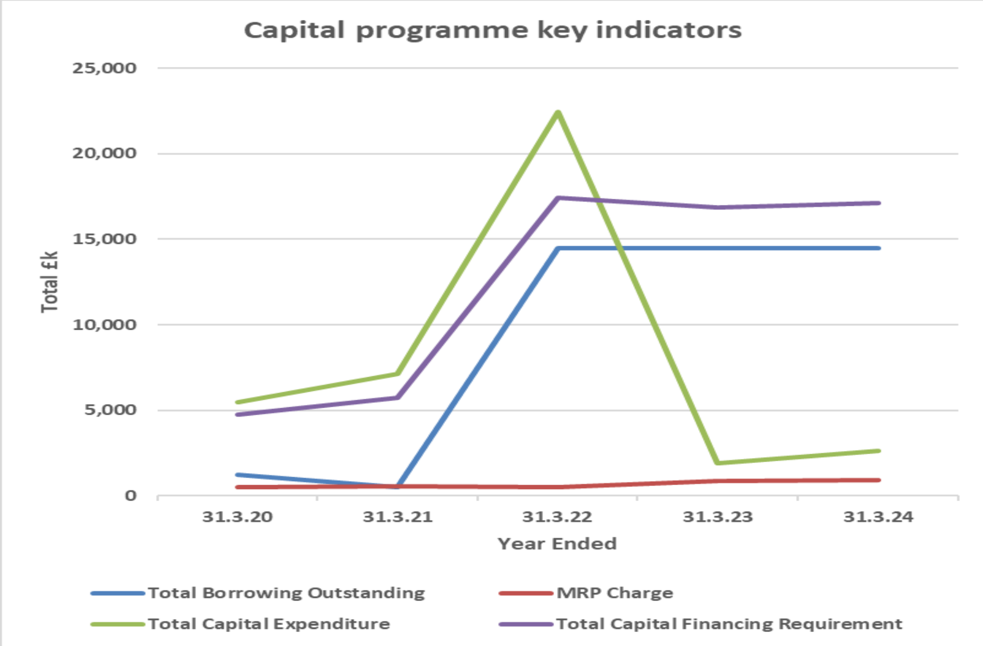
We have found no evidence of significant weakness in the Council's financial planning arrangements.

Capital strategy and treasury management

The Council approves the Capital Programme, Treasury Management Strategy and 10 Year Capital Strategy annually.

The Council approved a £31.455m Capital Programme in February 2021, with £22.42m profiled to be spent in 2021/22, of which £14.0m is forecast to be funded from borrowing. Subsequent capital expenditure was approved including the Future High Streets Fund.

The graph below demonstrates the step increase in capital expenditure within the approved programme, and associated increases in capital financing requirement and borrowing as set out in the Treasury Management Strategy approved in February 2021.



Major schemes within the capital programme support corporate priorities such as the regeneration schemes relating to Barnstaple high street and market quarter and the construction of the new leisure centre. These schemes also have a positive effect on the Council's MTFS.

The borrowing costs associated with schemes within the Capital Programme are reflected in financial planning. The Treasury Management Strategy includes estimates of capital expenditure consistent with the approved budget with the corresponding capital finance requirement analysis. The borrowing strategy has been to internally borrow which is prudent while investment returns are low and counterparty risk is an issue. The Council will have to borrow in the future to fund its capital expenditure plans, particularly in 2021/22 when external borrowing of £14m is forecast. This will mean a sharp increase in borrowing for the Council, with total borrowing forecast to increase from £0.5m as at 1 April 2021 to £14.5m as at 31 March 2022. The Treasury Management Strategy models MRP increasing from £0.540m in 2020/21 to £0.904m by 2023/24 as the revenue budget makes provision for the repayment of debt taken out to support the capital programme.

Quarterly budget monitoring reports highlight capital scheme slippage to be approved to carry forward to future years but do not contain reasons for the reprofiling. During 2020/21 there were significant amounts of capital spend reprofiled to 2021/22, with a net reduction to the original budget of £8.185m. We have made an improvement recommendation that budget monitoring reports should contain more detail on the reasons for capital programme slippage when Members are asked to approve reprofiling to future years. This will improve transparency and accountability for the delivery of capital schemes.

We have found no evidence of significant weakness in the Council's capital and treasury arrangements.

Reserves

The Local Government Act 2003 requires the S151 Officer to report on the robustness of estimates within the budget and the adequacy of levels of reserves. As part of the 2021/22 budget the recommended level of General Fund (GF) balance was confirmed as 5%-10% of the Council's net revenue budget, in accordance with the CIPFA benchmark. This gives a recommended range of between £0.669m and £1.338m. At the time the forecast level of GF balance was £1.161m, which increased to £1.211m at the year end and which equates to 9.1% of the net revenue budget.

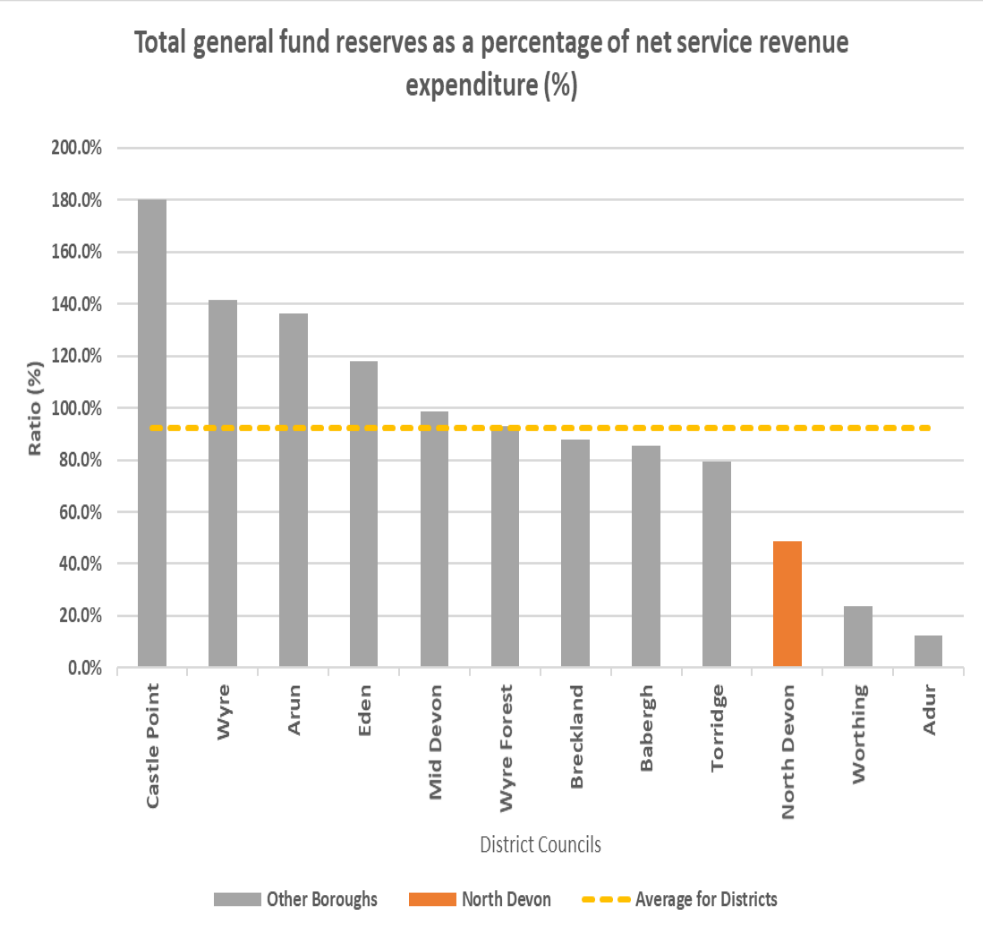
While the level of GF balance falls within the CIPFA benchmark, we have made an improvement recommendation that the Council should undertake a risk based calculation for the prudent minimum level. This should reflect the local and national risks that could impact the budget and assess the Council's exposure to risk across different categories of income and expenditure. This would ensure the Council has sufficient mitigation within GF balances to manage its own specific budget risks.

As at 31 March 2021 the Council had £16.35m of earmarked reserves, including the £8.66m S31 grant that will fund the business rate element of the Collection Fund deficit in 2021/22. After adjusting for this grant, earmarked reserves at the year end were £7.69m, an increase of £2.3m from the position at 1 April 2020 of £5.39m. During the financial year the Council increased various reserve balances such as the residual Collection Fund Reserve by £0.417m, the repairs fund by £0.397m and created a £0.243m transformation reserve.

The Council's earmarked reserves provide additional sources of risk mitigation and financial resilience in addition to the GF balance. At the year end the following risk mitigation reserves are included within earmarked reserves:

- Collection Fund Reserve £1.15m
- Covid Budget Management Reserve £0.375m
- Strategic Contingency Reserve £0.143m

While the Council was able to increase reserves as at 31 March 2021 in order to provide increased financial resilience and fund corporate priorities, the graph overleaf demonstrates that the Council's level of reserves is below the average of 11 “nearest neighbour” authorities when comparing total GF and earmarked reserves to net service spend as per the 2019/20 financial statements. The Council's reserves represent 48.6% of net service spend compared to an average of 92.1%. The 2019/20 data is used because 2020/21 includes the S31 Collection Fund grants thus making comparisons difficult.



It should be noted that such comparisons do not take into account the specific circumstances relevant to different local authorities, for example levels of debt or capital funding plans. As such they can only provide a high level comparison of the total reserves held by an authority.

In mitigation, balancing the 2021/22 budget did not rely on the use of one off reserves and nor does the MTFS model the use of reserves to balance the financial position. Within earmarked reserves the Council holds specific funds to mitigate budget risk relating to the Collection Fund, Covid-19 and strategic contingencies. There is also no evidence of the Council's reserve position being eroded over the last three years as demonstrated in the table below.

Earmarked and General Fund reserve position			
	31.3.19 £m	31.3.20 £m	31.3.21 £m
Earmarked reserves	5.468	5.395	7.690*
General fund	1.161	1.161	1.211
Total reserves	**6.629**	**6.556**	**8.901**
*£16.35m year end position adjusted for £8.66m S31 grant			

The Council should continue to review the level of reserves it holds in order to ensure that they are adequate to mitigate financial risk, and that the Council can respond to unforeseen budget variances without impacting on its ability to deliver corporate priorities.

Consistency between financial and other corporate plans

The Service Plans prepared by Heads of Service for consideration by the Policy Development Committee contain actions that link to the Corporate Plan priorities. The financial implications of these plans are built into the budget as appropriate. The Service Plans ensure a strategic approach to delivering budget reductions and that bids for growth are referenced to the Council's priorities.

The Commercial Strategy links to the Corporate Plan priority of achieving financial security, with commercialisation being a key strategy for the Council to balance the financial position over the medium term.

The allocation of the £0.593 revenue surplus from 2020/21 to bolster financial resilience and support economic development and the environment demonstrate that resources are allocated to corporate priorities.

The Human Resources Strategy is currently being updated to align with the new Heads of Service programmes that reflect the "Everything Changes" transformation programme.

Therefore we see a coherent link between corporate priorities and the design of the budget. We found no evidence that the council has been unable to deliver its financial plans, other than the impact of Covid-19.

Improvement recommendations

Financial sustainability

1	**Recommendation**	As savings schemes become more prominent in the MTFS, budget monitoring should include a savings tracker to inform Members on the progress made in achieving savings plans relevant to balancing future years.
	Why/impact	So that Members are provided with transparent and timely information on the progress in achieving savings that will balance the financial position in future years.
	Summary findings	Savings built into the revenue budget are monitored on an exception only basis, with few savings built into the 2020/21 or 2021/22 budgets. In the future savings from service reviews are likely to become more prominent with the MTFS referring to service reviews in areas such as Waste and Recycling, Commercial Waste and Public Conveniences. The targets in the Commercial Strategy relating to reducing back office and building costs are likely to be achieved through the “Everything Changes” transformation programme.
	Management comment	Agreed – where future year savings plans are factored into the MTFS and those respective financial year budgets we can report against this activity within the cycle of performance and financial management reports that go to Members.

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

Improvement recommendations

Financial sustainability

2	**Recommendation**	The Council should increase its financial planning timeframe to current year plus five in accordance with best practice.
	Why/impact	Financial planning would be strengthened by extending the period of the MTFS.
	Summary findings	The Council's MTFS covers a four year period. CIPFA best practice is for a financial planning horizon of current year plus five. Although longer term forecasts become inherently more difficult, a five year horizon would help identify years where significant budget gaps are forecast and allow a longer term consideration of mitigating strategies.
	Management comment	Agreed – the latest MTFS period being produced for February 2022 will include current year plus five years.

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

Improvement recommendations

Financial sustainability

3	**Recommendation**	Budget monitoring and outturn reports should contain more detail on the reasons for capital programme slippage when Members are asked to approve reprofiling to future years.
	Why/impact	Providing information as to the reasons for slippage would improve transparency and accountability for the delivery of capital schemes and allow for greater Member challenge.
	Summary findings	Quarterly budget monitoring reports highlight capital scheme slippage to be approved to carry forward to future years but do not contain reasons for the reprofiling. During 2020/21 there were significant amounts of capital spend reprofiled to 2021/22, with a net reduction to the original budget of £8.185m.
	Management comment	Agreed – the capital programme variations table within the performance and financial management report will be enhanced to provide detail on the reasons for the capital programme slippage.

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

Improvement recommendations

Financial sustainability

4	**Recommendation**	The Council should undertake a risk based calculation for the prudent minimum level of General Fund (GF) balances.
	Why/impact	Undertaking a risk based calculation for minimum balances would ensure the Council has sufficient mitigation within GF balances to manage its own specific budget risks.
	Summary findings	The Council uses the CIPFA benchmark of 5%-10% of the net revenue budget to determine the minimum level of GF balances, with a balance of £1.211m or 9.1% as at 31 March 2021. As well as having regard to this benchmark, the Council should undertake a risk based calculation for the prudent minimum level. This should reflect the local and national risks that could impact in the budget and assess the Council's exposure to risk across different categories of income and expenditure.
	Management comment	The benchmark has always been seen as a measure of prudent level of reserves and we have always maintained around the 9%-10% mark. The Council will keep this under review in light of in-year risks and determine whether there is a need to carry out further risk based calculations for minimum balances.

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

Governance

We considered how the Council:

- considered the impact of Covid-19 on the governance arrangements
- 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 effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

COVID-19 arrangements

During the 2020/21 financial year the Council supported the community, businesses and the delivery of critical services through the pandemic, and adapted governance arrangements as required. The Senior Management Team held daily virtual meetings during the pandemic, with the Leader, Deputy Leader and emergency planning officer attending. Meetings were minuted to provide a record of agreed decisions and actions. Virtual committee meetings were held during the year, including Strategy and Resources, Full Council, Policy Development and Governance Committee, with members of the public able to attend and take part.

The Chief Executive approved urgent decisions in accordance with the Constitution as required during the financial year. Examples include decisions relating to hardship relief, carpark charging, public convenience closures and enforcement of the Health Protection Regulations, with these decisions being reported for noting to the Strategy and Resources Committee. Other decisions relating to the pandemic could still be made through the normal democratic process, with the Strategy and Resources Committee approving the revised policy for the award of 100% retail, leisure and hospitality business rate relief and the policies for administering business grants and council tax discretionary reductions.

The Council distributed £70m of business support grants during the year, implementing an on-line application process with integrated checks to the revenues system to minimise erroneous and fraudulent applications. The Internal Audit Plan was reprioritised to reflect financial risk, and additional assurance work was carried out on the business grant process controls.

In preparation for the resumption of services business continuity plans were updated by business continuity leads in each service area. The Council recognises that more work is needed to ensure a comprehensive business continuity programme is in place, which should reflect the agile working that was accelerated by the pandemic and which aligns to best practice. The Governance Committee received updates on the progress with improving Business Continuity planning in September 2020 and June 2021 and an action plan is in place with control process to ensure continual monitoring of procedures.

All of the above provides evidence of appropriate actions being taken to address the risks and challenges presented by the Covid-19 pandemic.

Managing risk

The Council has a Corporate Risk Register that is supported by Service Risk Registers, with the Pentana risk management system used to record and track identified risks. The Governance Committee considers the Corporate Risk Register every six months. The Committee is provided with sufficient information on the identified risks, including RAG ratings, impact, original and target risk score, mitigating actions, internal controls and risk manager. The Corporate Risk Group meets every six months to review the risk register and escalations from Heads of Service. Their comments are included in the Corporate Risk

Register submitted to the Governance Committee.

The Council has made improvements to risk management arrangements during the year. Every service area has updated their risk register and there is a rolling review programme to ensure Senior Management Team have oversight of service risks. The Council recognises ongoing review is required to improve the focus of risks to key business objectives and improve mitigation controls.

All corporate risks are reported to the Governance Committee, with the February 2021 register containing a total of 29 risks, comprising 16 red RAG rated risks, 10 yellow, and 3 green. We have made an improvement recommendation that the frequency of reporting should be increased to quarterly to provide more timely management information to Members, and that only red RAG rated risks should be included so that focus is maintained on key areas of strategic risk that require further mitigating actions. We also note that risks are not mapped to corporate objectives.

Our work has not identified any significant areas of weakness with the Council's arrangements for managing risk. We have made an improvement recommendation to ensure the focus remains on strategic risks that require further mitigation when reporting the Corporate Risk Register to Members.

Internal control

From 2020/21 internal audit is undertaken by the Devon Audit Partnership (DAP). Due to the impact of the pandemic on resources and working practices, and in order to be able to deliver an assurance opinion for 2020/21, DAP developed different practices such as remote testing and assurance mapping in order to build a view of the risk and control framework. The audit plan was revised with agreement to defer some non core audits such as transformation and the crematorium into 2021/22, with additional assurance work carried out for business grant processes. Internal audit were able to deliver 92% of the revised audit plan.

Despite the significant changes to business operations and ways of working due to the pandemic, internal audit were able to confirm through their audit reviews that key controls continued to operate. DAP provided a Reasonable Assurance audit opinion on the adequacy and effectiveness of the internal control framework in their annual report presented to the Governance Committee in June 2021.

From our work we have found no areas of significant weakness in the management and reporting on internal control.

Monitoring Standards

There is evidence of an appropriate "tone from the top" being set in respect of decision making and ethical behaviour from senior officers and Members. Codes of conduct are in place for both Members and officers. The Members' Code of Conduct was updated during 2020/21 to reflect best practice in respect to standards investigations. The Governance Committee have approved revised Anti-Money Laundering, Whistle Blowing, and Anti-Fraud and Corruption Policies in June 2021.

Member declarations of interest and receipt of gifts and hospitality are available on the Council's website. Member declarations of interest all relate to 2019/20 and the Annual Governance Statement (AGS) action plan recognises that these now require updating. Review of the Member register of gifts and hospitality did not identify any declarations for 2020/21, although it is acknowledged that these were probably limited during the year due to the pandemic and periods of lockdown. The Council plans to include training on the Member's Code of Conduct as an action in the AGS.

The Council has a range of officers who are responsible for ensuring and monitoring compliance with statutory standards, such as the Monitoring Officer and the Section 151 Officer. Through our review we are not aware of any instances where officers or elected members have not complied with the necessary standards. We note that while the S151 Officer is a member of the Senior Management Team, the Monitoring Officer is not. The Monitoring Officer does attend all Strategy and Resources Committee meetings and Full Council. We have made an improvement recommendation that the Monitoring Officer should also attend SMT meetings to ensure early sight of all potential legal or governance issues without relying on these being cascaded down.

We have not identified any significant weaknesses with regard to the Council's arrangements for ensuring adherence to laws and regulations or ethical standards, but the

Council should ensure that it addresses the actions contained in the AGS action plan.

Budgetary control 2020/21

We have considered the Council's processes for monitoring the 2020/21 budget during what was a difficult year to accurately forecast costs and income due to the effects of the pandemic, periods of lockdown, and incremental announcements of government funding.

Budget monitoring reports were submitted quarterly during the year to the Strategy and Resources Committee, Policy Development Committee and Full Council. These contain the detail of variations to the approved budget and movements since the previous quarter.

As the financial year progressed the overall forecast outturn position improved as the costs of the pandemic and associated government funding became more certain. The Quarter One position was a forecast deficit of £0.385m, with a surplus of £0.028m forecast by Quarter Three and a final outturn surplus achieved of £0.593m.

The financial impact of Covid-19 was monitored through working papers developed to support the submission of the monthly financial management returns to the government. Key areas of costs such as leisure support, temporary accommodation and agency staff were monitored monthly as were key areas of income pressure such as carparking, recycling and trade waste. Costs and pressures were identified comparing actuals to budget and these working papers supported the quarterly budget monitoring reported to Members.

While budget variances were analysed and reported quarterly to Members, the reporting was against the original approved budget as a whole. Many of the variances within the revenue budget were associated with the pandemic, but we note that the net cost of the pandemic to the Council was not reported to Members. Within the outturn position reported to Strategy and Resources Committee in July 2021, it is not clear within the context of an annual revenue surplus of £0.593m, what the net cost of the pandemic was to the Council. An improvement recommendation has been made that additional analysis should be provided to report the net cost of the pandemic along with other non-pandemic related variances that together make up the net revenue position.

There was no requirement during the year to implement additional controls on expenditure.

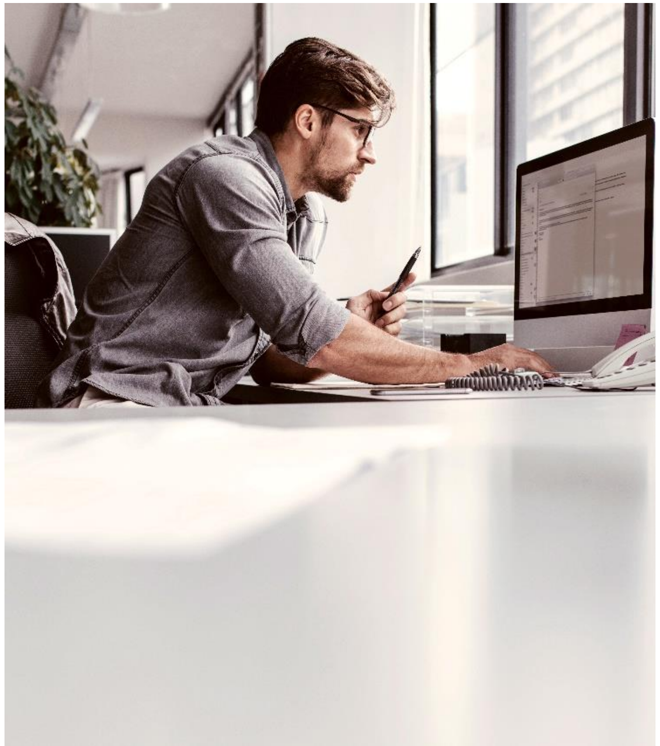
The Council provided significant support to leisure and theatres totalling £0.425m in 2020/21. Support to Parkwood Leisure was approved only after the submission of accounts, scrutiny by the Head of Resources, and approval by the Strategy & Resources Committee.

We have not identified any significant weaknesses with regard to the Council's arrangements for budget monitoring.

Improvement recommendations

Governance

5	**Recommendation**	The frequency that the Corporate Risk Register is reported to the Governance Committee should be increased to quarterly, risks should be mapped to corporate objectives and only red RAG rated risks should be included.
	Why/impact	The frequency of reporting should be increased to quarterly to provide more timely management information to Members. Mapping risks to corporate objectives would ensure that only key business risks are included on the register. Only red RAG rated risks should be included so that focus is maintained on key areas of strategic risk that require further mitigating actions.
	Summary findings	All corporate risks are reported to the Governance Committee every six months, with the February 2021 register containing a total of 29 risks, comprising 16 red RAG rated risks, 10 yellow, and 3 green. Risks are not mapped to corporate objectives.
	Management comment	The Corporate Risks and Risk Management process is being reviewed by the Head of Governance in conjunction with Internal Audit (Devon Audit Partnership); the recommendation here will be considered as part of this review being undertaken together with any implemented improvements.

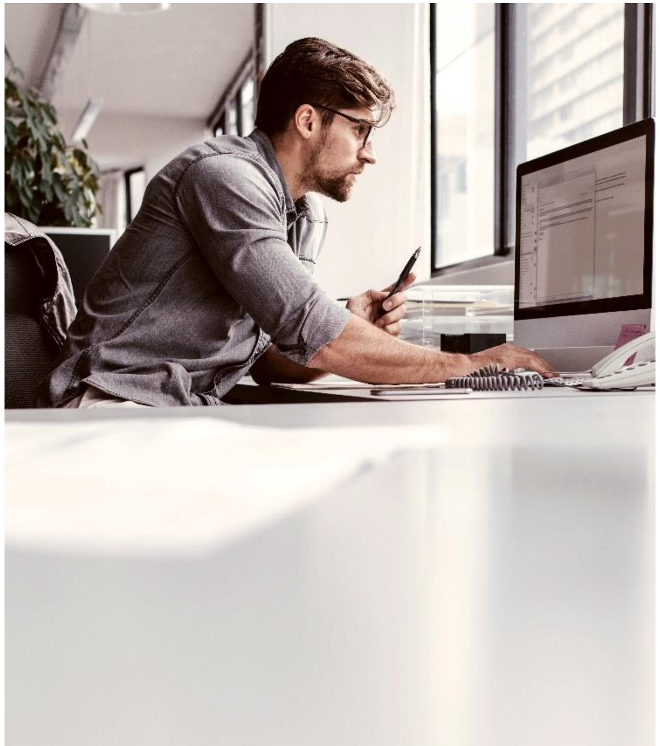


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

6	**Recommendation**	The Monitoring Officer should attend all Senior Management Team meetings.
	Why/impact	Attending all Senior Management Team meetings would ensure they have early sight of all potential legal or governance issues without relying on these being cascaded down and will provide for more timely identification of issues.
	Summary findings	While the Monitoring Officer attends all Strategy and Resources Committee meetings and Full Council, they are not a member of the Senior Management Team.
	Management comment	The Monitoring Officer reports to the Head of Governance who does sit on Senior Management Team and the current Chief Executive previously was the Monitoring Officer; thus any relevant legal or governance issues would be picked up and cascaded immediately to the Monitoring Officer if required.

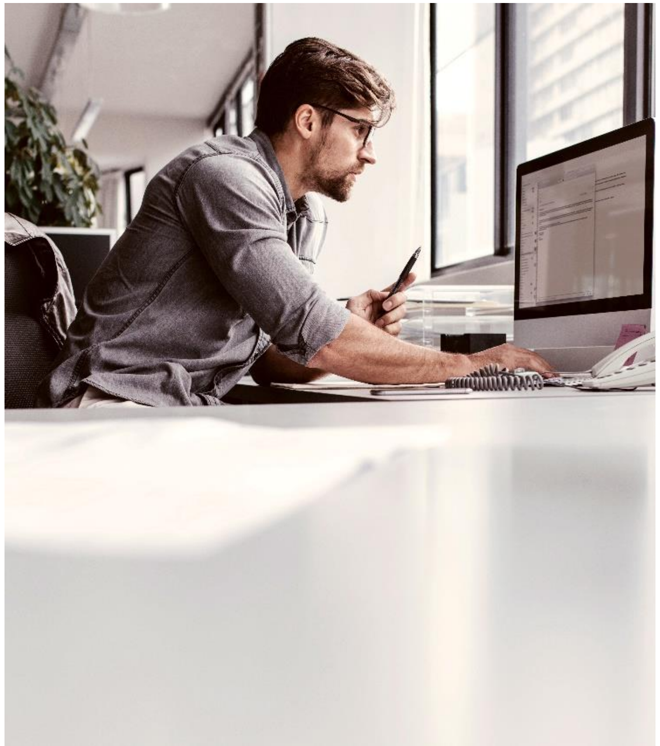


The range of recommendations that external auditors can make is explained in Appendix C.

Improvement recommendations

Governance

7	**Recommendation**	Additional analysis should be provided in budget monitoring to report the net cost of the pandemic, or other non-recurring costs in the future, along with other non-pandemic related variances that together make up the net revenue position.
	Why/impact	Within the outturn reported to Strategy and Resources Committee in July 2021, it is not clear within the context of an annual revenue surplus of £0.593m, what the net cost of the pandemic was to the Council.
	Summary findings	While budget variances were analysed and reported quarterly to Members, the reporting was against the original approved budget as a whole. Many of the variances within the revenue budget were associated with the pandemic, but we note that the net cost of the pandemic to the Council was not reported to Members.
	Management comment	Additional cost pressures due to the pandemic were recorded separately and reported through to Central Government (MHCLG) on the monthly C-19 returns; the most important message for Members in my view is that the overall impact for the financial year is reported within the budget monitoring so that they understand the overall impact on the Council for the year taking all variances into account; where additional cost pressures were incurred these were recorded separately in the appendix to the quarterly budget monitoring reports.



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

Improving economy, efficiency and effectiveness

We considered how the Council:

- responded to the changes required as a result of Covid-19
- 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, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

Performance management

The Council's Corporate Plan was approved in September 2019 and sets out the four key priority areas of financial security, focus on delivering the best for the customer, cherishing and protecting the environment and planning for North Devon's future.

Annual service plans are agreed through Senior Management Team and the Policy Development Committee each January. These service plans provide the golden thread that align service actions to corporate objectives and contain the financial investment, income generation or savings implications of each action to build into the budget as appropriate.

The Strategy and Resources Committee, Policy Development Committee and Full Council receive quarterly performance reports that combine both operational and financial performance. These reports contain the quarterly revenue and capital budget monitoring position, treasury position, and information on income collection and debt management. Performance data includes progress on implementing service plan actions and key performance indicators (KPIs). While the KPIs provide for quarterly comparison of performance with the previous year and with the current year target, the indicators are not RAG rated and there is no narrative in the report of overall Council performance or areas of particular concern where performance is below target. Therefore it is difficult to get an overall picture of how well the Council is performing.

The AGS action plan recognises that the number of performance indicators should be rationalised to core indicators of performance. We have made a further improvement recommendation that the KPIs reported to Members should be RAG rated to easily identify trends in performance and be supported by a commentary in the covering report as to the overall performance of the Council and particular areas of concern.

The Council uses the Pentana performance management system to track data for KPIs and the implementation of service plan actions. Service managers are assigned KPIs and are responsible for updating the data on the system which is then extracted to produce the quarterly reporting. We note that the Council does not have a Data Quality Policy and have made an improvement recommendation that the Council should consider the need for a policy to ensure the quality, transparency and consistency of data reported in KPIs.

Our review of the Council's arrangements for managing performance has not identified any significant areas of weakness but arrangements could be improved by RAG rating KPIs and providing a narrative to support the data, and by approving a Data Quality Strategy.

Benchmarking

Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.

The Council does not routinely undertake financial comparisons or benchmarking of service performance with other local authorities

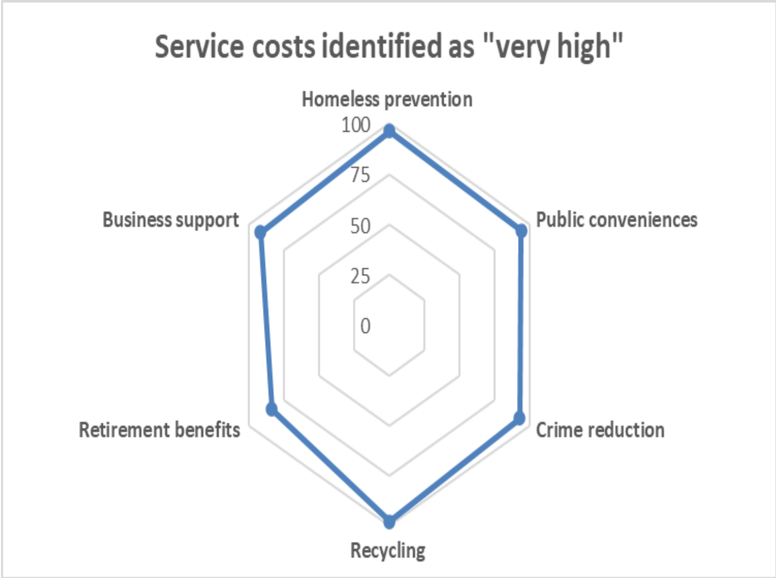
The benchmarking that we undertook using our management tool 'CFO Insights' compared the units costs for a range of services and identified areas where the unit costs were very high in comparison to other district councils. These have been discussed with the finance team as summarised below:

- Retirement benefits – costs reflect the figures disclosed in the Actuary report over which there is no discretion;
- Planning business support – costs include the running costs of non-investment properties and staff cost reallocation for regeneration projects such as Butchers Row and the Future High Streets Fund;
- Homeless prevention – costs related to rough sleepers and rent deposits, with some spend funded by grant. Resources applied in this service area help reduce the costs of expensive bed and breakfast accommodation;
- Crime reduction – reflect support recharges from Environmental Health and Housing holding account;
- Public conveniences – premises costs and direct staff costs relating to cleaning;
- Recycling – reflects a combination of direct staff costs and vehicle capital charges.

While the charts opposite are only able to provide an indication of where costs are high, we consider that the Council should be routinely

On the spider chart a rank of 50 represents the group median. The group in this case is all district councils. If a measure is closer to the outside of the chart it would be classed as 'very high cost', whereas if the line is closer to zero, then it would be classed as 'very low cost' in comparison to the group.

The data is based on the 2019/20 Revenue Outturn submissions to the government.



benchmarking service costs in order to identify areas where efficiencies could be achieved.

From the explanations received, services identified as having very high unit costs do not necessarily indicate inefficient operations. The MTFS already identifies that the waste and recycling service will be reviewed with regard to 3-weekly residual waste collection and that the future provision of public conveniences is another area for consideration. When considering these, and future, service reviews the use of benchmarking should be used to inform decision making. We have therefore made an improvement recommendation that the Council should undertake benchmarking with other local authorities to identify areas for financial or performance improvement.

Peer review

The Council has undertaken a peer review with the Local Government Association (LGA). The draft report, issued in February 2020, was not finalised due to the pandemic, but the LGA conducted a refresh exercise in October 2021. The key recommendations made through the peer review include creating organisational capacity to deliver the "Everything Changes" transformation programme and to review the organisational structure to create capacity for strategic thinking. Key recommendations were made in relation to strategic and financial planning such as accelerating plans to deliver commercialisation and evolving the Corporate Plan, including partnership working with North Devon Futures and other strategic partners to create a 2050 vision for the area.

The refresh exercise recognised that, despite the pandemic, the Council has made significant progress with implementing key recommendations. The Council has undertaken a recruitment process and implemented a new senior management structure consisting of the Chief Executive, Director of Resources, and seven Heads of Service. A programme management office has also been created to manage the delivery of corporate projects. The Council approved the Commercial Strategy in November 2020 and has made significant decisions on regeneration projects. A Corporate Plan workshop has also recently been held with the LGA.

The Council's action to date implementing the recommendations from the peer review is evidence that arrangements are in place to learn from other organisations, with the AGS action plan including further review of the conclusions from the follow up exercise.

Waste and recycling service

The Council has taken measures to address and improve performance within waste and recycling. The restructure of the Senior Management Team includes a post for Head of Environmental Enhancement with responsibility for waste. This addresses a recommendation in the peer review that management in this area could be strengthened.

Following engagement with employees and a successful trial, the Council approved the roll out across the District of separate boxes for glass and plastics, with the £0.08m cost funded from the Strategic Contingency Reserve. This was aimed at reducing missed collections and increasing round efficiency.

The Council has also worked with colleagues from Somerset West and Taunton Council in determining the waste and recycling fleet replacement strategy over the next seven years, with a new lease and maintenance contract awarded in March 2021.

Further areas of work referenced in the MTFS include the review of the waste and recycling service to potentially move to a 3-weekly residual waste collection model across the District, and a review of the commercial waste service.

The service experienced cost pressures in 2020/21 as a result of the pandemic and the impact of social distancing and self isolation of crews resulting in increased agency costs. Trade waste and recycling income was also reduced. We note that the 2021/22 budget for recycling collection rounds has been increased by £0.157m for 2021/22 to £1.917m, the majority of the increase relating to employee costs. The capital programme includes £0.76m to improve material recovery facility infrastructure in 2021/22.

The overall performance for the percentage of domestic waste recycled for 2020/21 was 48.78% compared to the target of 46%. The Corporate Risk Register includes failure to improve recycling results as a red RAG rated risk, with mitigating actions cited as reviewing behavioural change models and the Recycle More project roll out.

The Council recognises that performance needs to improve within the waste and recycling service and has taken steps to implement changes during the year.

Significant partnerships

The Council works with a variety of partners to deliver corporate objectives and priorities for the local area. The peer review recognised excellent partnership working in developing local solutions to support health and wellbeing, citing particularly the “Safe Sleep” and “High Flow” projects as examples of interagency working with real benefits for rough sleepers and intensive users of public services.

There are many examples of strategies developed at partnership level being translated into actions for the Council to deliver. The Strategy and Resources Committee approved the Resource and Waste Management Strategy in February 2021. The strategy was developed by the Devon Authorities Strategic Waste Committee and includes key targets relating to achieving net zero carbon, increasing recycling and reducing waste.

The Devon Districts Procurement Authorities have drafted a Devon Districts Procurement Strategy and this was approved by the Council in June 2020. The joint strategy aims to embed a corporate procurement approach and promote collaboration opportunities. Actions for the Council include rolling out contract management guidance and training and including performance measures in all tenders. The AGS action plan includes progressing the recommendations within the Procurement Strategy.

The Council has a joint local plan with Torridge District Council to guide and control development and encourage housing growth. The plan is under review and as part of the process the Council plans to hold joint planning policy meetings with Torridge.

North Devon and Torridge District Councils are joint owners of North Devon+. This private company supports the Council’s economic development and regeneration functions, including matching young people to work placements and awarding grant funding to businesses.

North Devon Futures is a new partnership which includes local authorities, the NHS, police and the Local Enterprise Partnership. The partnership’s aim is to drive forward a single strategic vision and associated projects for North Devon. The LGA peer review recognised that this partnership is a good vehicle to promote stronger collaborative working and develop the 2050 vision for the area.

The Council has agreed a design, build, operate and maintain contract with Parkwood Leisure for the new Tarka Leisure Centre, with an overall cost of £14m. This is mostly funded by the Council. Once complete Parkwood Leisure will operate and maintain the leisure centre for 20 years and there are maintenance and revenue subsidy savings built into the MTFS relating to the new contract. During the year internal audit reviewed the arrangements around the new build and gave reasonable assurance with regard the governance and controls in place.

Our work has not identified any areas of significant weakness regarding how the Council works with its strategic partners.

Improvement recommendations

Improving economy, efficiency and effectiveness

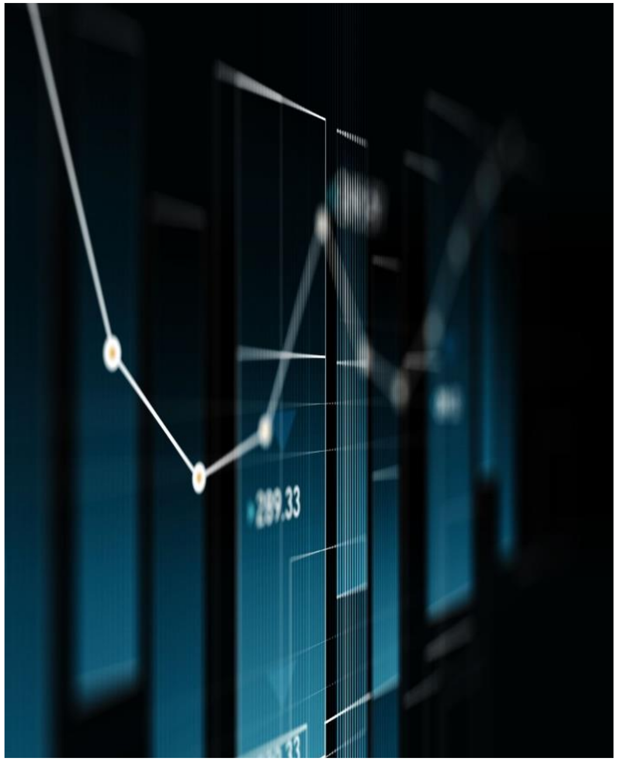
8	**Recommendation**	The key performance indicators (KPIs) reported to Members should be RAG rated to easily identify trends in performance and should be supported by a commentary in the covering report as to the overall performance of the Council and particular areas of concern.
	Why/impact	Providing a RAG rating to KPIs will allow Members to easily identify trends in performance and areas where performance is below target. A supporting narrative will improve the understanding of the overall performance of the Council and what actions are being taken where performance is below target.
	Summary findings	KPIs provide for quarterly comparison of performance with the previous year and with the current year target. The data is detailed but indicators are not RAG rated and there is no narrative in the report of overall Council performance or areas of particular concern where performance is below target. Therefore it is difficult to get an overall picture of how well the Council is performing
	Management comment	One recommendation from the Internal Audit of the Annual Governance Statement was also a review of the KPIs; As part of defining our new programmes, all existing KPIs and Local PIs will be reviewed with SMT to ensure we are 'measuring what matters', ensuring that our suite of indicators are performance driven to ensure we are on track to deliver against our plans and not rear review indicators just reporting on what has been done. We will link this review in with the improvement recommendation highlighted in this report.

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

Improvement recommendations

Improving economy, efficiency and effectiveness

9	**Recommendation**	The Council should consider the need for a Data Quality Policy.
	Why/impact	A Data Quality Policy would help ensure the quality, transparency and consistency of data reported in KPIs.
	Summary findings	The Council uses the Pentana performance management system to track data for KPIs and the implementation of service plan actions. Service managers are assigned KPIs and are responsible for updating the data on the system which is then extracted to produce the quarterly reporting. The Council does not have a Data Quality Policy.
	Management comment	We will consider the need for a Data Quality Policy with our Data Protection Officer and Senior Management Team and understand why some Councils have them and whether this would be beneficial to the Council.



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

Improvement recommendations

Improving economy, efficiency and effectiveness

10	**Recommendation**	The Council should undertake benchmarking with other local authorities to identify areas for financial or performance improvement.
	Why/impact	Benchmarking is an effective tool that enables an organisation to compare and analyse its performance with others. It can provide a basis for collaboration and identify areas for improvement.
	Summary findings	The Council does not routinely undertake corporate benchmarking with other local authorities.
	Management comment	The Council does undertake benchmarking for specific pieces of work, for example comparison of back office costs through Devon Accounting Group members, charges for Council services such as garden waste to aid budget setting and fee levels for 2022-23 to name a couple of examples and this will continue where relevant and beneficial for future performance or service improvement.

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

Opinion on the financial statements

Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 27 October 2021. An emphasis of matter was reported in relation to the effects of the Covid-19 pandemic on the valuation of property, plant and equipment

Audit Findings Report

More detailed findings can be found in our Audit Findings Report, which was published and reported to the Council's Governance Committee on 20 October 2021.

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.

These instructions have yet to be issued and as such we cannot complete this work or formally certify the closure of our audit.

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.

Issues arising from the accounts:

- Our work did not identify any material errors or adjustments to the financial statements
- We recommended a small number of adjustments to improve the presentation of the financial statements
- We raised a high-level recommendation in relation to ensuring the Council has robust and transparent monitoring arrangements for schemes that are approved as part of the commercial strategy.

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

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

Appendices

Appendix A - Responsibilities of the Council

Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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.

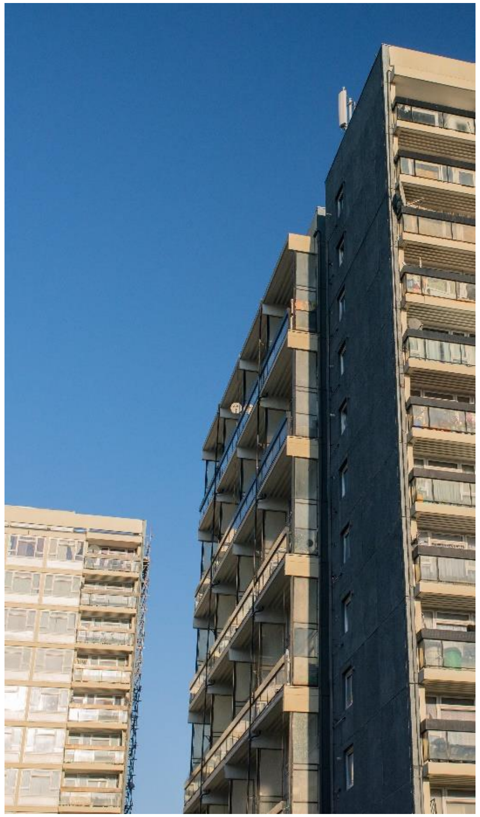
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

All 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) 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 (or equivalent) 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 - Risks of significant weaknesses - our procedures and findings

As part of our planning and assessment 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 that we needed to perform further procedures on. The risks we identified are detailed in the table below, along with the further procedures we performed, our findings and the final outcome of our work:

Risk of significant weakness	Procedures undertaken	Findings	Outcome
Financial sustainability was not identified as a potential significant weakness, see pages 6 to 15 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, four improvement recommendations raised.
Governance was not identified as a potential significant weakness, see pages 16 to 21 for more details.	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, three improvement recommendations raised.
Improving economy, efficiency and effectiveness was not identified as a potential significant weakness, see pages 22 to 28 for more details	No additional procedures undertaken	No significant weaknesses identified	Appropriate arrangements in place, three improvement recommendations raised.

Appendix C - 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. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
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	N/A
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	Pages 12 – 15 Pages 19 – 21 Pages 26 - 28

Appendix D – Use of formal auditor's powers

We bring the following matters to your attention:

Statutory recommendations 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	We have not issued any statutory recommendations.
Public interest report 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.	We have not issued a public interest report.
Application to the Court 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.	We have not made an application to the Courts.
Advisory notice 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: • 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 have not issued any advisory notices.
Judicial review 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.	We have not applied for a judicial review.