

# Interim Auditor's Annual Report on Dartmoor National Park Authority

2021-22 Value for Money arrangements review

20 October 2022

# Contents

Section	Page
1. Executive summary	03
2. Opinion on the financial statements and use of auditor's powers	05
3. Commentary on the Authority's arrangements to secure economy, efficiency and effectiveness in its use of resources	06
4. Financial sustainability	07
5. Governance	09
6. Improving economy, efficiency and effectiveness	12
7. Follow-up of previous recommendations	15
8. Opinion on the financial statements	16
<b>Appendices</b>	
Appendix A – Responsibilities of the Authority	18
Appendix B – An explanatory note on recommendations	19



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority 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 Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# 1. 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.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria and 2021-22 is the second year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our conclusions are summarised in the table below. We have not noted any significant weaknesses in arrangements and this represents a good outcome for the Authority.

Criteria	Risk assessment	2020-21 Auditor Judgment		2021-22 Auditor Judgment		Direction of travel
Financial sustainability	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified. One improvement recommendation made.	G	No significant weaknesses in arrangements identified.	↔
Governance	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified. Two improvement recommendations made.	G	No significant weaknesses in arrangements identified. One improvement recommendation made.	↔
Improving economy, efficiency and effectiveness	No risks of significant weakness identified	G	No significant weaknesses in arrangements identified.	G	No significant weaknesses in arrangements identified. One improvement recommendation made.	↔

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.



# Executive summary

## Financial sustainability



The Authority is operating in an increasingly uncertain financial environment. The Authority, as with all national parks and local authorities, will need to continue to plan on the basis of “flat cash” funding in the medium term, effectively a cut in funding in real terms. This has become particularly acute after the year end at 31 March 2022, given the impact of rising inflation. Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority. Further details can be seen on pages 7-8 of this report.

## Governance



Our work this year has focused on refreshing our understanding of the governance arrangements in place at the Authority, and the progress made in implementing the recommendations made in the prior year. Our work has not identified any significant weaknesses in arrangements. We have raised one improvement recommendation in respect of regular review of policy documents, expanding on our prior year recommendation. Further details can be seen on pages 9-11 of this report.

## Improving economy, efficiency and effectiveness



The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in its use of resources. Our work has not identified any significant weaknesses in arrangements in relation to delivering economy efficiency and effectiveness. We have raised one improvement recommendation in respect of performance against your performance indicators. Further details can be seen on pages 12-14 of this report.



Our accounts audit has been substantially complete since August 2022. As we set out in our ISA260 Report, we are still awaiting the assurances from other audit teams in respect of the Authority’s pension liability and payroll system.

We will need receipt of these assurances before we can complete and sign our opinion on the Authority’s 2021-22 accounts.



## 2. Opinion on the financial statements and use of auditor's powers

We bring the following matters to your attention:

### Opinion on the financial statements

Auditors are required to express an opinion on the financial statements that states whether they : (i) present a true and fair view of the Authority's financial position, and (ii) have been prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22

We have not yet completed our audit of your financial statements and are therefore unable to issue our audit opinion.

### 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

Our work has not identified any issues requiring a statutory recommendation.

### 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.

Our work has not identified any issues requiring 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.

Our work has not identified any issues requiring an application to the court.

### 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.

Our work has not identified any issues requiring an advisory notice.

### 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.

Our work has not identified any issues requiring a judicial review.

# 3. Securing economy, efficiency and effectiveness in the Authority's use of resources

All Authorities 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 Authority's responsibilities are set out at Appendix A.

Authorities 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 Authority 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 Authority 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).



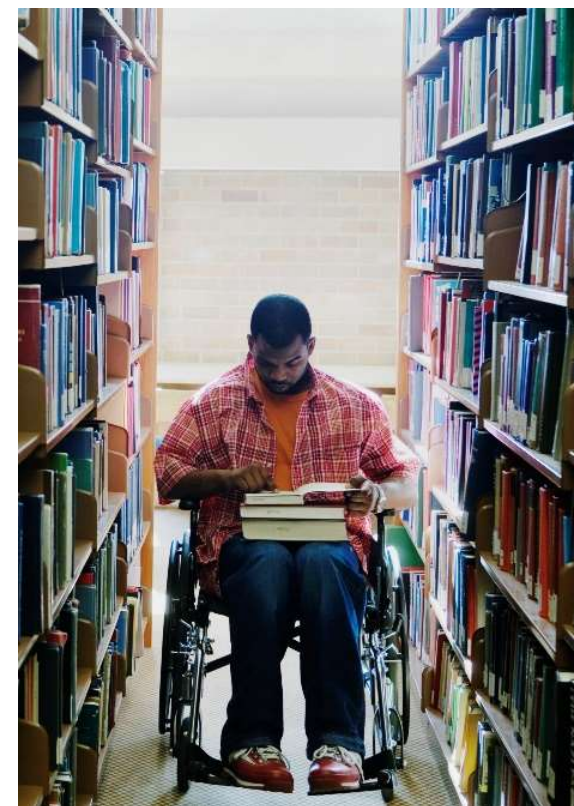
## Governance

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



## Improving economy, efficiency and effectiveness

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



Our commentary on the Authority's arrangements in each of these three areas, is set out on pages 7 to 13. Further detail on how we approached our work is included at Appendix B.

# 4. Financial sustainability



## We considered how the Authority:

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

## Summary of the Authority's Arrangements

The Authority has processes in place which detail the responsibility of Authority members and senior management for planning and managing the Authority's finances, as set out in the Financial Regulations. We have not identified any evidence of the Authority not complying with these processes.

Financial performance is monitored and routinely reported to the Audit and Governance Committee. Monthly management reporting to the Leadership Team is informed by monthly budget monitoring led by the Head of Business Support, who engages with budget holders to identify and respond to any variances emerging during the year.

## 2021-22 revenue outturn

The Authority set a balanced budget for 2021-22, which included planned use of reserves and brought forward balances of £236k. Across the three-year period of the Medium Term Financial Plan (MTFP), planned use of the General Fund (including earmarked reserves) was forecast to be £781k, resulting in a 31% reduction in available reserves over the period of the Plan.

As reported to the Audit and Governance Committee on 27 May 2022, the outturn position was more positive than budgeted, resulting in an outturn surplus of £52k. The Authority was able to make a net transfer to reserves of £288k, increasing rather than depleting its available reserves.

A significant driver of this financial position is additional grant income generated of £486k. Although this is a positive outcome for the Authority, we note the difficulty that significant one-off grant income poses for financial planning, due to the uncertainty of its timing and availability.

## 2022-23 Financial Planning

The Authority again set a balanced budget for 2022-23. Though a balanced budget was set, this was again to be achieved by planned use of reserves £142k.

The updated MTFP highlighted much greater budget gaps than in the prior year, driven by inflationary pressures and totalling £491k over the next three years to 2024-25 (assuming "flat cash" National Park Grant, a position confirmed after the report was presented). Although these pressures were able to be met from reserves, the forecast position at the end of the three years was a more than 38% reduction to the overall General Fund (including earmarked reserves) position. The report highlights that this is not a sustainable position.

A key assumption underpinning the forecast is salary inflation resulting from the annual pay award, budgeted for at 2%. An additional reserve had been created to provide for a possible extra 1% increase. These were common assumptions within the local authority sector at the date of the budget's approval, but as 2022 has progressed it has become clear that the pay award for 2022-23 is likely to be much higher than 2%; as at the date of this report, the award is unconfirmed, but is expected to be an approximate increase of £1,925 per employee and a 4.04% increase on all allowances which equates to around an average 7% uplift overall.

This represents a significant unplanned increase in the Authority's expenditure and a consequent increased budget gap beyond what was forecast in the Budget and MTFP for the three years for 2022-23 to 2024-25. We have considered the Authority's response to these challenges on page 8.



# Financial sustainability

## Bridging Funding Gaps

In the prior year, we raised an improvement recommendation in relation to financial sustainability. Our recommendation was that consideration should be given to identifying in advance a range of savings options and schemes which would be implemented should they be required, and that these proposals should be included within the MTFP and annual budget.

Due to the timing of our prior year report and the preparation of the 2022-23 budget, this recommendation was not implemented, though as mentioned on the previous page the budget highlighted that continued use of reserves across multiple years was not sustainable.

The need to identify these savings options has become particularly acute during the 2022-23 financial year, due to the inflationary pressures highlighted on the previous page. As at July 2022 CPI was reported to be 10.1%, with RPI at 12.3%. This has significant impacts on both the salary inflation assumptions included in the budget as well as the non-payroll costs to the Authority.

Based on the budgetary information at the beginning of the financial year, we would therefore have further raised an improvement recommendation in this area. However, following discussion with the Head of Business Support, we understand that the Authority is fully cognisant of the change in their financial position, and that a comprehensive business review is already being undertaken. The understanding shared throughout the Authority is that this review should be a plan for the long term, with the aim of future proofing the Authority's budget to ensure its services are sustainable into the future. The review will underpin the 2023-24 budget and the MTFP for 2024-25 and 2025-26.

Given that the review is in progress, we are unable to comment on its impact on financial sustainability in this report. However, engaging in the process represents a significant forward step in meeting our prior year improvement recommendation, and the outcome as it relates to financial sustainability will be of keen interest to us in our 2022-23 VFM work.

## Identifying and assessing financial risks

The Authority is well managed financially and there is a high level of understanding of its budgetary position and its budgetary pressures. Monthly review of budget variances overseen by the Head of Business Support and incorporating the views of all budget holders allows the Authority to be responsive to these pressures as they occur. The Authority maintains a number of contingency reserves, which help to mitigate the impact of uneven cash flows where they occur, and to match timing of projects to available funding. The planning process appropriately captures risks and identifies actions to address them.

## Farming in Protected Landscapes (FiPL)

2021-22 was the first year of delivery for the FiPL programme. The Authority has been able to meet its planned budget profile for the grant of £343k, following the re-profiling in year, and expects to continue to meet this appropriately in the 2022-23 and 2023-24 years. The Authority should therefore be able to deliver its full programme of requirements associated with FiPL.

## Summary from our audit review

Overall, we are satisfied that the Authority has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We acknowledge the challenging context arising after the 2021-22 year end, with the significant increase in inflation adding pressures beyond those initially planned for.

Following our discussions with the Head of Business Support and our understanding of the planned comprehensive business review, we consider that appropriate action is being undertaken to address these. We have not identified any risks of significant weakness, and have not raised a recommendations in relation to financial sustainability given that action is now being taken against our recommendation from the prior year.



# 5. Governance



## We considered how the Authority:

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

## Leadership and committee effectiveness

Appropriate leadership is in place at the Authority. The Authority operates through full Authority meetings as well as through the Audit and Governance Committee, Development Management Committee, and the Standards Sub-Committee. The Audit and Governance Committee has delegated power to act as Those Charged With Governance (TCWG) and demonstrates appropriate challenge of financial and non-financial information. The Committee contains a mix of elected and appointed members with financial and non-financial experience. We have noted and experienced the appropriate debate and challenge they provide at each meeting.

In the prior year, we recommended that the Audit and Governance Committee undertake a self-assessment each year, which is considered best practice. Due to timing this has not occurred to date but we understand this is to be considered to be undertaken during the 2022-23 year.

Major decisions are made at meetings of the full Authority, with issues arising from the various committees being reported to the full Authority for information and oversight. The Authority meets regularly, with ten meetings in 2021-22, and appropriate minutes are taken which are approved and available online.

## Policies, procedures, and controls

As a public organisation, the Authority aims to maintain the highest standards of conduct and integrity. The Authority expects the highest standards of corporate behaviour and responsibility from all Authority members and staff. The Authority has in place a range of policies and procedures designed to ensure compliance with legislative and

Regulatory standards, including Codes of Conduct for Members and Staff, a Local Code of Corporate Governance, and a range of HR policies and procedures. In addition, the Authority has an established anti-fraud culture and an anti-fraud and corruption policy is in place. Members' interests are recorded on an individual basis on the Authority's website.

In the prior year we made an improvement recommendation relating specifically to the Risk Management Policy Statement, as well as two recommendations which were noted in our Audit Findings Report also relating to out of date policies. In the current year we have identified further policies which are out of date e.g. the Confidential Reporting Policy, which was updated relatively recently in January 2021 but which makes reference to the previous Head of Business Support by name instead of the current post holder. We have therefore included a broader improvement recommendation in relation to policy updates this year.

## Monitoring and Assessing Risk

The Strategic Risk Register is updated regularly and key strategic risks are reported through the Audit and Governance Committee. In the prior year we included an improvement recommendation that the Register should identify specific named officers to own each risk. We are pleased to note that our review of the Risk Register presented to the Audit and Governance Committee in May 2022 shows that this recommendation has been implemented.

# Governance

The Authority consider risks as part of their decision making role, including the annual budget setting process, major policy decisions, and major projects. The Leadership Team review the corporate risks on a quarterly basis. The risk management approach and strategic risks are well understood across all levels of management at the Authority.

## Internal control

Internal audit at the Authority is provided by Devon Audit Partnership, a shared service agreement between a number of the local authorities in Devon. Internal audit agree an annual audit plan with the Head of Business Support and then present the plan to the Audit and Governance Committee for approval. The Committee use the work and findings of internal audit to consider the operation of key controls during the year which is used to draft the Annual Governance Statement. Internal Audit also issue an Annual Report summarising their work each year, along with the Head of Internal Audit Opinion which provided Full Assurance for 2021-22.

## Budget Setting Process

The Authority has an established budget-setting process in place. The budget for 2021-22 was approved at full Authority on 5 March 2021. The budget is then reviewed regularly to forecast outturn results throughout the year, with a final outturn being presented to the May Audit and Governance Committee. In addition, the Authority has in place a Medium Term Financial Plan (MTFP - included in the same report) which is updated annually for the two years following the current financial year i.e. covering an overall three year period from the approval date. The Authority includes some basic sensitivity analysis focused on projections for core National Park Grant Funding. There is also a table documenting the assumptions made in setting the budget and MTFP identifying risks, likelihood, impact, and mitigating factors. The risks documented are appropriate, but the MTFP could be enhanced by considering sensitivity analysis as to how these risks might impact the budget gaps at the Authority and the effect of any mitigations.

The Audit and Governance Committee provides an appropriate level of routine review, particularly in light of the Authority's track record of delivering a balanced year end outturn position. The current and prior year periods both show small surpluses which are indicative of the effectiveness of the budget setting and monitoring processes in place.

As identified in the Financial Sustainability section of our report, the economic climate in 2022-23 has been significantly more challenging than expected, with rates of inflation significantly higher than those anticipated by the 2022-23 Budget and MTFP. We understand from the Head of Business Support that these unprecedented inflationary impacts are being actively managed within the Authority with a comprehensive business review being undertaken.

## Budgetary Control

There are good systems in place for oversight of the budget. Budget monitoring is performed on a monthly basis via Microsoft Teams, led by the Head of Business Support. Matters arising are considered by the Leadership Team at regular meetings. Variances are identified and explained on a monthly basis, with actions to mitigate these agreed at Leadership Team level where required. Routine reporting to members takes place at Audit and Governance Committee, reporting the month 6 and 9 outturn positions to ensure members are aware of budget variances and how these are being managed.

## Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA Code. The Authority has adopted the CIPFA/SOLACE framework Delivering Good Governance in Local Government, with a Local Code of Corporate Governance in place. An appropriate level of care is taken to ensure the Authority's policies and procedures comply with all relevant codes and legislative frameworks.

## Conclusion

Overall, we found no evidence of significant weaknesses in the Authority's arrangements for ensuring that it makes informed decisions and properly manages its risks. As outlined above, we have raised one improvement recommendation as detailed on the next page.



# Improvement recommendations



## Governance

### Recommendation

The Authority should maintain a register of all its key policy documents with dates of last review, to ensure that all key documents are regularly updated. This register should also document all named officers and job titles included in the policy to ensure that these are kept up to date

### Why/impact

Key policies should be subject to periodic review to ensure that they remain current and valid, especially where they name specific officers who may have subsequently left the Authority or specify a job title which no longer exists.

### Auditor judgement

The Authority maintains a suite of policies governing its activities. As reported in the prior year, some of these have become significantly out of date. Further review of policies this year identified others which named officers no longer employed by the Authority. These key documents should be kept as up to date as possible to preserve the Authority's governance arrangements.

### Summary findings

In the prior year we identified a number of key policies which were out of date, and our current year work has identified others such as the Confidential Reporting Policy.

Further detail is provided on page 9.

### Management Comments

Agreed. The Authority will undertake this recommendation.



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

# 6. Improving economy, efficiency and effectiveness



## We considered how the Authority:

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

## Performance review, monitoring, and assessment

The Authority's vision and priorities are set out in its Business Plan which is updated and presented to the Authority meeting annually. A monitoring report considering progress against this report is then presented to the Audit and Governance Committee at the year end. The 2021-22 Business Plan was presented on 5 March 2021, and the related Monitoring Report presented on 27 May 2022. The Business Plan links the five-year Dartmoor Partnership Plan to the National Park's individual strategic priorities for the year, and also where relevant to the detailed annual revenue budget and the Medium Term Financial Plan.

Our review identified that performance against the priorities and actions set out in the plan is monitored routinely by the Leadership Team, with regular in-year reporting to the Audit and Governance Committee. The performance monitoring arrangements provide useful and timely information to members and management, and support the overall objectives of the Authority in delivering the Business Plan.

The Authority sets out its key actions across its six priority areas as identified in the plan, with detailed descriptions of what each action comprises, the desired outcome, target start and end dates, and whether these link to the three key aspects of the national policy context.

In addition to the Business Plan, there is a Performance Indicator framework in place comprising 37 indicators, a mix of "State of the Park" indicators, national indicators required by central government or agreed with other National Park Authorities, and local indicators set by the Authority.

Performance against the indicators is reported to the Audit and Governance Committee. In 2021-22 these were presented on 27 May 2022. The report indicated mixed results against the performance indicators; in many cases such as for volunteer days or local engagement these reflect the impact of Covid-19 on much of the year.

Of the 37 indicators identified for tracking, 16 were either partially or wholly below target 2021-22. In some cases these are clearly impacted by Covid-19 (e.g. in-person event attendance). However, some targets have not been met for a number of years and the trend is towards worsening rather than improving performance e.g. in timely response to planning applications.

In other cases, the targets appear to be unrealistic e.g. increasing the number of visitors to Visitor Centres, where the 2019-20 outturn (which was largely unaffected by Covid) is substantially lower than the current target. It seems unlikely that the Authority would have been able to meet this target in 2021-22 or will be able to in 2022-23, and it would be beneficial to reconsider whether the targets are appropriate (though it is important to note that many indicators are nationally determined and the target is therefore not in the Authority's control). We have raised an improvement recommendation in relation to these indicators.



# Improving economy, efficiency and effectiveness

## Partnership working and working with stakeholders

Partnership working is clearly established within the Authority's strategic framework documents, including the Authority's Management Plan and Business Plan, and in the way the Authority operates on a day to day basis.

Partnership working is a key focus for the Authority for a number of reasons, including:

- to help generate support funding, for example through the National Lottery Heritage Fund to progress individual projects;
- to encourage volunteering to support the work of the Authority and various projects that the Authority is progressing;
- to support the local community in which the Authority operates

The proactive approach to partnership working is evident from the progress made in a number of key areas including:

- Continued delivery of the South West Peatland Partnership, with all sites now complete except one and 75% of the Nature for Climate target achieved
- Delivery of the Dartmoor Hill Farm Project, with work delivered between October 2021 and April 2022 and a further bid being prepared in partnership with the Princes Countryside Fund for another three years

## Procurement

The Authority has procurement procedures within its Financial Regulations and a Sustainable Procurement Policy which sets out the approach to delivering effective procurement. This supports budget holders who have responsibility for procurement decisions. Budget holders are also supported by the Finance team.

## Conclusion

Overall, we are satisfied that the Authority has appropriate arrangements in place for ensuring economy, efficiency, and effectiveness in its use of resources.



# Improvement recommendation



Improving economy, efficiency, and effectiveness

## Recommendation

The Authority has 37 different performance indicators tracking a variety of different aspects of its performance. In many cases these indicators appear to be unrealistic or unlikely to be achieved, and the performance report to the Authority does not detail any actions to address this.

## Why/impact

In order to be useful and drive improvement, performance indicators should be stretching but appropriate and achievable. If indicators are routinely not being achieved and no actions are detailed or undertaken to address this, they are of limited use for understanding or monitoring the performance of the Authority.

## Auditor judgement

The Authority should seek to review its indicators and, where relevant, understand the reasons that these have not been achieved. Where achievement is unrealistic, the Authority should consider revising the indicator to be achievable. Where this is inappropriate or impossible (e.g. for nationally-determined indicators), the Authority should agree specific actions to improve performance against indicators, especially those where performance is worsening.

## Summary findings

We have identified a number of performance indicators which have not been achieved in year, and recommend adjusting these or identifying specific actions to improve performance against them.

Further detail is provided on page 12.

## Management Comments

Targets are regularly reviewed by the Leadership Team. Many indicators are nationally determined and therefore the targets are outside of our control, and we continually review those that are within our control. We will consider the need to report any changes and actions to be taken to enhance performance against these key indicators in future reports to members.

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

# 7. Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Consideration should be given to identifying in advance a range of savings options and schemes which would be available to be implemented should they be required. These proposals should be included within the MTFP and annual budget.	Improvement	January 2022	No specific schemes had been identified at the beginning of the 2022-23 financial year. However, during the year, a comprehensive business review has been initiated which will identify the savings options and schemes as suggested. It is important for the Authority to work through potential savings options given the current challenging economic environment facing local authorities. We will review the outcome and implementation status of this in our 2022-23 VFM arrangements review.	Partially	We will review the outcome in our 2022-23 VFM work.
2	Introduce an annual self-assessment effectiveness review of the Audit and Governance Committee which is the Committee considered to be Those Charged With Governance.	Improvement	January 2022	The review has not yet been undertaken. However, we understand that it is underway and will be completed during 2022-23, to be performed annually thereafter.	Partially	We will review the outcome in our 2022-23 VFM work.
3	<p>The Authority's risk management arrangements could be enhanced by taking the following actions:</p> <ul style="list-style-type: none"> <li>The Risk Management Policy Statement should be reviewed periodically to ensure it remains up to date. The current version refers to job titles that no longer exist at the Authority.</li> <li>Each risk in the Strategic Risk Register should be allocated to a named senior officer in line with good practice</li> </ul>	Improvement	January 2022	<p>The recommendation relating to the Strategic Risk Register has been fully implemented.</p> <p>The Risk Management Policy has not yet been updated although we understand the review is nearing completion and should be presented to the Audit and Governance Committee soon. We have raised a further improvement recommendation over management and review of Authority policies generally.</p>	Partially	We will review the outcome in our 2022-23 VFM work.

# 8. Opinion on the financial statements



## Audit opinion on the financial statements

We have not yet issued our audit opinion on the Authority's financial statements. Whilst our work on the accounts audit has been substantially complete since August, we are awaiting assurances from other audit teams in relation to the Authority's pensions balance and payroll system. Upon satisfactory receipt of these assurances, we expect to issue a 'clean' unqualified audit opinion on the 2021-22 accounts.

## Audit Findings (ISA260) Report (AFR)

More detailed findings can be found in our AFR, which was published and reported to the Authority on 2 September 2022.

## 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 Authority. This work includes performing specified procedures under group audit instructions issued by the National Audit Office.

We are unable to complete our work in this area as the instructions and Assurance Statement have not yet been issued by the National Audit Office.

## 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

## Issues arising from the accounts:

The key issues were:

- One finding relating to internal control over the iTrent payroll system, which is outsourced to Devon County Council. The Council does not receive a service auditor's report over the operation of the iTrent system and therefore lacks assurance regarding the operation of controls at the payroll provider.
- One recommendation raised in regard to the accounting policy for capitalisation, which had a de minimis limit for recognition significantly higher than peers within the sector.

## Preparation of the accounts

The Authority provided draft accounts in line with the national deadline and provided a good set of working papers to support it. Officers were available throughout the audit process to answer questions and provide additional information, which allowed for a smooth and efficient audit process to take in place in line with the agreed timetable.

However, the audit opinion cannot be issued until we have received assurances from other auditors in respect of the Authority's share of the pension fund and the operation of the payroll system.





# Appendices

# Appendix A: Responsibilities of the Authority

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 Authority'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 Authority will no longer be provided.

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

# Appendix B: An explanatory note on recommendations

A range of different recommendations can be raised by the Authority's auditors as follows:

Type of recommendation	Background	Raised within this report?	Page reference
Statutory	Written recommendations to the Authority under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Authority. We have defined these recommendations as 'key recommendations'.	No	
Improvement	These recommendations, if implemented should improve the arrangements in place at the Authority, but are not a result of identifying significant weaknesses in the Authority's arrangements.	Yes	11 and 14

