Mid Devon District Council

Audit Committee

Tuesday, 24 March 2020 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next ordinary meeting
Tuesday, 2 June 2020 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans (Chairman)
Cllr Mrs C Collis
Cllr B A Moore
Cllr D F Pugsley
Cllr A Wilce
Cllr J Wright
Cllr A Wyer

A G E N D A

Members are reminded of the need to make declarations of interest prior to any discussion which may take place

1. **Apologies**
   To receive any apologies for absence.

2. **Declaration of Interests under the Code of Conduct**
   Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.

3. **Public Question Time**
   To receive any questions relating to items on the Agenda from members of the public and replies thereto.

4. **Chairman's Announcements**
   To receive any announcements that the Chairman may wish to make.

5. **Minutes of the previous meeting** *(Pages 5 - 8)*
   Members to consider whether to approve the minutes as a correct record of the meeting held on 28 January 2020.

Committee Administrator: Sarah Lees
Tel: 01884 234310
Email: slees@middevon.gov.uk

6. **Climate Change 'risk'**
At its meeting on 27th August 2019 the Committee agreed that the 'risks' in relation to the Climate Change Declaration ought to be monitored by the Audit Committee. The Cabinet Member for Climate Change will be in attendance to take part in an initial discussion.

7. **Performance & Risk Report** *(Pages 9 - 52)*
To receive a report from the Group Manager for Governance, Performance and Data Security providing Members with an update on performance against the Corporate Plan and local service targets for 2019-20 as well as providing an update on the key business risks.

8. **Progress Update on the Annual Governance Statement Action Plan** *(Pages 53 - 58)*
To receive a report from the Group Manager for Performance, Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2018/19 Action Plan.

9. **Risk and Opportunity Management Policy** *(Pages 59 - 78)*
To receive a report from the Group Manager for Performance, Governance and Data Security presenting the Committee with the updated Risk & Opportunity Management Policy for approval.

10. **Internal Audit Progress Report 2019-2020** *(Pages 79 - 90)*
To receive a report from the Deputy Head of the Devon Audit Partnership monitoring the progress and performance of Internal Audit.

11. **Internal Audit Strategy and Charter** *(Pages 91 - 106)*
To receive a report from the Audit Team Manager presenting the Committee with the Internal Audit Charter and Strategy for effective operation of the internal audit service.

12. **Internal Audit Plan 2020 2021** *(Pages 107 - 124)*
To receive the Internal Audit Plan for 2020-2021 from the Head of the Audit Partnership. The Audit Committee is required to review and approve this in order to provide assurance to support the governance framework.

13. **External Audit Progress Report and Sector Update** *(Pages 125 - 144)*
To receive a report from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.

14. **Chairman's Annual Report for 2019/2020** *(Pages 145 - 148)*
To receive the Chairman's annual report for 2019 – 2020.

15. **Identification of items for the next meeting**
Members are asked to note that the following items are identified in the

Committee Administrator: Sarah Lees
Tel: 01884 234310
Email: slees@middevon.gov.uk

work programme for the next meeting:

- Election of Chairman for 2020/2021
- Election of Vice Chairman for 2020/2021
- Performance & Risk
- Progress update on the Annual Governance Statement Action Plan
- Internal Audit Progress update
- External Audit Progress update
- Start time of meetings for 2020/2021

Note: This item is limited to 10 minutes. There should be no discussion on the items raised.

Stephen Walford
Chief Executive
Monday, 16 March 2020

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Member Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use other forms of social media to report on proceedings at this meeting.

Members of the public are welcome to attend the meeting and listen to discussion. Lift access to the first floor of the building is available from the main ground floor entrance. Toilet facilities, with wheelchair access, are also available. There is time set aside at the beginning of the meeting to allow the public to ask questions.

An induction loop operates to enhance sound for anyone wearing a hearing aid or using a transmitter. If you require any further information, or if you would like a copy of the Agenda in another format (for example in large print) please contact Sarah Lees on:

Tel: 01884 234310
E-Mail: slees@middevon.gov.uk

This page is intentionally left blank

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 28 January 2020 at 5.30 pm

Present
Councillors R Evans (Chairman)
Mrs C Collis, B A Moore, D F Pugsley,
A Wilce, J Wright and A Wyer

Also Present
Councillor R M Deed

Also Present
Officers Catherine Yandle (Group Manager for Performance, Governance and Data Security), Joanne Nacey (Group Manager for Financial Services), David Curnow (Deputy Head of Devon Audit Partnership) and Sarah Lees (Member Services Officer)

57. **APOLOGIES**

There were no apologies for absence.

58. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

There were no interests declared under this item.

59. **PUBLIC QUESTION TIME**

There were no members of the public present.

60. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman informed the Committee that the Group Manager for Financial Services, Jo Nacey, would be leaving the authority to take up a post elsewhere. On behalf of the committee he extended his thanks to Jo for all the hard work she had undertaken for the Council. She had shown respect, diplomacy, good grace and always wore a smile. He wished her well for the future.

61. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 10 December 2019 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

62. **PERFORMANCE & RISK REPORT**

The Committee had before it, and **NOTED**, a report * from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2019-20 as well as providing an update on the key business risks. The report had been discussed by

three Policy Development Groups and the Scrutiny Committee. There had been discussion at the Scrutiny Committee about the Council's carbon footprint with a suggestion that Mid Devon's be compared with that of other authorities. However, it was felt that this would not add much value since figures were not directly comparable given that other authorities provided different services in house.

Further discussion took place with regard to:

- How well the Private Sector Housing team were performing in 'bringing empty homes back into use'.
- Whether a trend line in relation to the number of empty shops bar chart would add any value?
- The number of days lost due to sickness. This topic had regularly been discussed by the Committee with the promise of a revised policy being drawn up by officers some time ago. The Committee were informed that a revised policy had been circulated to Group Managers this week with a view to it being fully adopted by 1st February 2020. The Chairman requested that the Committee receive reassurance from the Leadership Team that the policy was now in place and had gone through all the required processes, for example, the union.
- The need for a thorough analysis of the performance indicators in relation to the Council's commitment to the climate change declaration and the new Corporate Plan.
- A mitigating action in relation to GDPR compliance risk being behind target, however, the Committee were reassured that there was an action plan in place and officers knew what they had to do going forwards.

Note: * Report previously circulated; copy attached to the signed minutes.

63. **EXTERNAL AUDIT PROGRESS REPORT**

The External Auditor provided a verbal update on where Grant Thornton were in terms of delivering their responsibilities as the Council's external auditors. It was explained that since the last Audit Committee they had had a second meeting with the Group Manager for Financial Services and the Deputy Chief Executive (S151). They had started work on the value for money risks and confirmed that the pooling of capital receipts work had been completed. No issues of concern had been identified.

64. **EXTERNAL AUDITORS AUDIT PLAN FOR 2019/2020**

The Committee had before it, and **NOTED**, a report from Grant Thornton providing an overview of the planned scope and timing of the statutory audit of Mid Devon District Council for the year ending 31st March 2020.

Key highlights within the report included the following:

- Those risks requiring special audit consideration continued to be in relation to the 3 Rivers Development Limited and the employer's pension fund liability as there was a significant amount of estimation in these areas.
- There were also risks in relation to changes within the Finance team with the Group Manager and an Accountant having recently left or about to leave. This

would leave a gap in terms of expertise and staff resource until replacement members of staff were fully conversant with the Council's processes.

- The proposed fee for the 2019/2020 external audit would be £44,229.
- From Grant Thornton's initial discussions with officers, 3 Rivers 'work in progress' was forecast to be c£9m. Although this did not meet the criteria requiring an external audit, it was a material balance to the group accounts and would need additional assessment by the external auditors.
- There had been a change to International Financial Reporting Standard (IFRS) 16 to do with leases. Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognise all leases on their balance sheet as a right of use asset and a liability to make lease payments.
- The threshold for materiality would be kept at 2% of the Council's gross expenditure.
- With regard to financial sustainability the external auditors were keen to stress that the Council continued to face significant financial challenges over the medium term.
- The interim audit would commence in the following week with the final audit commencing at the end of May. A final report would be brought to the Audit Committee in July.

Consideration was given to:

- In order for 3 Rivers Development Limited to trigger an external audit they would need to meet 2 out of 3 criteria in relation to numbers of staff (50 or more), annual turnover (of more than £10.2m) and assets exceeding £5.1m. These criteria were not currently met. There was provision within the agreement for an external audit of 3 Rivers to be undertaken by an independent external audit company but it would be a costly expense to the Council and may not represent value for money given the overall percentage spend.

- The need for more information to the Audit Committee about exactly what the Grant Thornton audit of the 3 Rivers areas entailed and the results of their necessary risk assessments.
- The Committee were keen to more fully understand the external auditor's view of the Council's financial sustainability but the audit needed to be completed first before the Committee could have that discussion with them.
- The number of days and weeks the external auditors would be undertaking the audit in relation to the fee they were charging.

Note: * Report previously circulated; copy attached to the signed minutes.

65. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING**

There were no further items identified for the next meeting other than those already listed within the work programme.

(The meeting ended at 6.25 pm) **CHAIRMAN**

This page is intentionally left blank

AUDIT COMMITTEE
24 MARCH 2020

PERFORMANCE AND RISK REPORT

Cabinet Member Cllr Bob Deed, Leader of the Council
Responsible Officer Catherine Yandle, Group Manager for Governance, Performance and Data Security

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2019-20 as well as providing an update on the key business risks.

RECOMMENDATION: That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back any areas of concern.

Relationship to Corporate Plan: Corporate Plan priorities and targets are effectively maintained through the use of appropriate performance indicators and regular monitoring.

Financial Implications: None identified

Legal Implications: None

Risk Assessment: If performance is not monitored we may fail to meet our corporate and local service plan targets or to take appropriate corrective action where necessary. If key business risks are not identified and monitored they cannot be mitigated effectively.

Equality Impact Assessment: No equality issues identified for this report.

Impact on Climate Change: No impacts identified for this report.

1.0 Introduction

1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2019-20 financial year. The Committee is invited to suggest measures they would like to see included in the future for consideration.

1.2 Appendix 6 shows the higher impact risks from the Corporate Risk Register. See 3.0 below.

1.3 Appendix 7 shows the risk matrix for the Council.

1.4 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

1.5 When benchmarking information is available it is included.

2.0 Performance

Environment Portfolio - Appendix 1

2.1 Regarding the Corporate Plan Aim: Increase recycling and reduce the amount of waste: % of household waste reused, recycled and composted; all the waste KPIs on Appendix 1 are better than target now and for the same period last year. These are yet to be verified by DCC as is usual.

2.2 Regarding the Corporate Plan Aim: Reduce our carbon footprint: The Carbon Emissions Baseline figure has been calculated and was reported to Cabinet at its meeting on 19 December, a recommendation has been made for the Environmental PDG working group to prioritise actions as the next stage. Comparison with other districts has been considered and discounted at this stage as direct comparisons are not useful where in-house services are different, which is generally the case. MDDC is the only district council with all services in-house in Devon so would tend to have a higher intrinsic footprint regardless of measures taken.

2.3 Other: As at 31 December, Waste Services were also performing well financially with increased income from trade waste and recycling and the shared saving scheme for waste with DCC showing a surplus. Public Health had an income reduction of £30k.

Homes Portfolio - Appendix 2

2.4 Regarding the Corporate Plan Aim: **Build more council houses:** Whilst no additional houses have reached the planning stage at present, work continues on the feasibility of further development within our own estates and elsewhere.

2.5 Regarding the Corporate Plan Aim: **Facilitate the housing growth that Mid Devon needs, including affordable housing: Bringing Empty homes into use** has already well exceeded the annual target and the number of affordable homes delivered was well above target @ 31 December.

2.6 Regarding the Corporate Plan Aim: **Planning and enhancing the built environment:** the Cullompton Masterplan and Delivery Plan consultation runs from 25 February until 15 April and the Tiverton Eastern Urban Extension consultation runs from 27 February to 9 April.

2.7 The 6 week public consultation on the Local Plan main modifications finished on 17 February 2020. 75 representations were received, these were sent to the Inspector for his consideration on 28 February.

2.8 **Other:** most measures were either on or above target except for **Average days to re-let** which was just outside the target of 14 days and **Properties with a valid gas safety certificate**. For this @ 31 January there were 5 properties referred to Legal services to gain access in accordance with MDDC procedure.

2.9 Housing performance remains in the top quartile compared with HouseMark.

Economy Portfolio - Appendix 3

2.10 Regarding the Corporate Plan Aims: **Attract new businesses to the District and Focus on business retention and growth of existing businesses;** we record **Businesses supported,** this includes new and existing businesses.

2.11 We also report the **Number of business rate accounts** which exceeds target increasing by over 4% since this time last year.

2.12 Regarding the Corporate Plan Aim: **Improve and regenerate our town centres with the aim of increasing footfall, dwell-time and spend in our town centres: car parking vends** are reported as a proxy for visitor numbers.

2.13 **Empty Shops;** it should be noticed that the vacancy count is done at the start of each quarter. The total number of units in each town @ Q3 are as follows: Tiverton 242, Cullompton 89 and Crediton 118. This will be added to the notes for the PIs.

Community Portfolio - Appendix 4 and 8

2.14 Other: Public Health Officers from Mid Devon District Council attended Exeter Magistrates on Thursday, 27 February 2020 to hear the sentencing of The White Hart At Cullompton Ltd.

2.15 The Council's Land Charges team have won the Digital Data Award at the Land Data Local Land Charges Awards 2020. The Digital Data Award recognises the importance of high quality data and focuses on the five characteristics of high quality information; accuracy, completeness, consistency, uniqueness and timeliness.

Corporate - Appendix 5

2.16 **Working days lost due to sickness** is below target but still better than at this point last year. This is likely to deteriorate because of Covid 19.

2.17 The **Response to FOI requests** have been 100% on time since April 2019.

2.18 The **% total Council Tax collected** and **% total NNDR collected** are both slightly below target.

3.0 Risk

3.1 The Corporate risk register is regularly reviewed by Group Managers' Team (GMT) and Leadership Team (LT) and updated as required.

3.2 Risk reports to committees include strategic risks with a current score of 10 or more in accordance with the Risk and Opportunity Management Strategy. (Appendix 6)

3.3 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.

3.4 Operational risk assessments are job specific and flow through to safe systems of work. These risks go to the Health and Safety Committee biannually with escalation to committees where serious concerns are raised.

4.0 Conclusion and Recommendation

4.1 That the Committee reviews the performance indicators and any risks that are outlined in this report and feeds back any areas of concern.

Contact for more Information: Catherine Yandle Group Manager for Performance, Governance and Data Security ext 4975

Circulation of the Report: Leadership Team and Cabinet Member

Corporate Plan PI Report Environment

Monthly report for 2019-2020
Arranged by Aims
Filtered by Aim: Priorities Environment
For MDDC - Services

Key to Performance Status:

Performance Indicators: | No Data | Well below target | Below target | On target | Above target | Well above target |

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Residual household waste per household (measured in Kilograms) (figures have to be verified by DCC)	306.53 (10/12)	365.00	36.52	66.32	93.65	123.35	150.40	177.00	208.78	238.38	268.55	297.99			Stuart Noyce	(April - January) A decrease of 2.79% compared to January 2019. (LD)
% of Household Waste Reused,	53.25% (10/12)	54.00%	48.76%	52.78%	53.97%	54.09%	54.26%	54.68%	54.41%	54.04%	54.00%	54.34%			Stuart Noyce	(January) An increase of 103 tonnes of cardboard;

Printed by: Catherine Yandle **SPAR.net** **Print Date: 18 February 2020 18:25**

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Recycled and Composted (figures have to be verified by DCC)																27 tonnes of plastic and an extra 240 tonnes of garden waste has been collection in comparision to the same period last year. (LD)
Net annual cost of waste service per household		£45.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		Stuart Noyce	
Number of Households on Chargeable Garden Waste	9,712 (10/12)	10,000	9,921	10,102	10,109	10,195	10,266	10,241	10,155	10,072	10,188	10,184			Stuart Noyce	(January) An increase of 472 customers compared to the same period in the previous year. (LD)
% of missed collections reported (refuse and	0.04% (10/12)	0.03%	0.01%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.01%	0.02%			Stuart Noyce	(January) Remaining within target (LD)

Printed by: Catherine Yandle SPAR.net Print Date: 18 February 2020 18:25

Corporate Plan PI Report Environment

Priorities: Environment

Aims: Increase recycling and reduce the amount of waste

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
organic waste)																
% of Missed Collections logged (recycling)	0.02% (10/12)	0.03%	0.02%	0.02%	0.02%	0.02%	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%			Stuart Noyce	(January) Remaining within target (LD)

Aims: Protect the natural environment

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Number of Fixed Penalty Notices (FPNs) Issued (Environment)	13 (10/12)		2	4	6	8	10	10	10	10	11	14			Stuart Noyce	(December) District Officer cover for the past three months has reduced from 3.8 FTE's to 2.8 FTE's. This post is due to be filled in January. (LD)

Printed by: Catherine Yandle SPAR.net Print Date: 18 February 2020 18:25

This page is intentionally left blank

Corporate Plan PI Report Homes

Monthly report for 2019-2020
Arranged by Aims
Filtered by Aim: Priorities Homes
For MDDC - Services

Key to Performance Status:

Performance Indicators: | No Data | Well below target | Below target | On target | Above target | Well above target |

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Homes

Priorities: Homes

Aims: Build more council houses

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Build Council Houses	6 (10/12)		26	0	0	0	0	0	26	26	26	26	26			Angela Haigh	(September) Palmerston Parl

Aims: Facilitate the housing growth that Mid devon needs, including affordable housing

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Number of affordable homes delivered (gross)	37 (3/4)		100	n/a	n/a	22	n/a	n/a	68	n/a	n/a	85	n/a	n/a		Angela Haigh	(Quarter 1 - 2) Info. from I
Deliver homes by bringing Empty Houses into use	134 (10/12)		72	17	33	42	55	72	84	95	97	106	120			Simon Newcombe	

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	F A
% Decent Council Homes	99.9% (10/12)		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	99.9%	100.0%	
% Properties With a Valid Gas Safety Certificate	99.96% (10/12)		100.00%	99.78%	99.82%	99.91%	99.91%	99.96%	100.00%	99.96%	99.87%	99.78%	99.78%	
Rent Collected as a Proportion of Rent Owed	99.90% (10/12)		97.00%	91.55%	99.90%	97.66%	100.93%	99.30%	98.50%	100.26%	98.37%	98.90%	99.03%	
Current Tenant Arrears as a Proportion of Annual Rent Debit	1.31% (10/12)		2.50%	1.10%	0.87%	1.11%	1.09%	0.91%	1.17%	1.14%	1.29%	1.12%	1.15%	
Dwelling rent lost due to voids	0.51% (10/12)		0.70%	0.50%	0.50%	0.48%	0.48%	0.52%	0.53%	0.55%	0.56%	0.57%	0.56%	
Average Days to Re-Let Local Authority Housing	14.4days (10/12)		14.0days	14.0days	14.5days	14.6days	13.7days	14.6days	14.4days	14.3days	14.5days	14.5days	14.9days	

This page is intentionally left blank

Corporate Plan PI Report Economy

Monthly report for 2019-2020
Arranged by Aims
Filtered by Aim: Priorities Economy
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Attract new businesses to the District

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Number of business rate accounts	3,081 (10/12)	3,150	3,104	3,112	3,123	3,137	3,149	3,155	3,180	3,186	3,205	3,218			Andrew Jarrett, Fiona Wilkinson	

Aims: Focus on business retention and growth of existing businesses

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Businesses supported	218 (10/12)	250	21	57	84	107	124	141	157	176	192	207			Adrian Welsh	(January) 10 Feb: 7 new businesses enquries and 15 businesses assisted (MF), Number of businesses assisted

Printed by: Catherine Yandle **SPAR.net** **Print Date: 17 February 2020 18:36**

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Focus on business retention and growth of existing businesses

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Increase in Car Parking Vends	45,893 (10/12)		51,120	51,775	48,697	50,894	51,261	50,325	53,392	52,568	52,388	48,961			Andrew Jarrett	
The Number of Empty Shops (TIVERTON)	18	18	n/a	n/a	17	n/a	n/a	21	n/a	n/a	21	n/a	n/a	21	Adrian Welsh	Number of vacant retail units, (Quarter 4) Jan 17: 21 vacant units out of 242 units representing 8.7% of the total units. (MF)
The Number of Empty Shops (CREDITON)	7	8	n/a	n/a	6	n/a	n/a	10	n/a	n/a	10	n/a	n/a	9	Adrian Welsh	Number of vacant retail units, (Quarter 4) JAN 31: 9 vacant units out of 118 units representing 7.6% of total units in Crediton (MF)

Printed by: Catherine Yandle SPAR.net Print Date: 17 February 2020 18:36

Corporate Plan PI Report Economy

Priorities: Economy

Aims: Improve and regenerate our town centres

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
The Number of Empty Shops (CULLOMPTON)	11	8	n/a	n/a	12	n/a	n/a	7	n/a	n/a	7	n/a	n/a	7	Adrian Welsh	The number of vacant retail units, (Quarter 4) JAN 31: 7 vacant units out of 89 units, representing 7.9% of the total units. (MF)

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Funding awarded to support economic projects	£160,395 (3/4)	£100,000	n/a	n/a	£10,000	n/a	n/a	£10,000	n/a	n/a	£29,637	n/a	n/a		Adrian Welsh	(Quarter 3) £12,637 (euros 15,000) awarded from WiFi4EU Programme £7,000 LGA Advisors Programme (JB), Funding actively sought for corporate priorities

Printed by: Catherine Yandle **SPAR.net** **Print Date: 17 February 2020 18:36**

This page is intentionally left blank

Corporate Plan PI Report Community

Monthly report for 2019-2020
Arranged by Aims
Filtered by Aim: Priorities Community
Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Community

Priorities: Community

Aims: Other

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Compliance with food safety law	88% (11/12)		90%	93%	93%	92%	93%	93%	92%	92%	92%	91%	92%	92%		Simon Newcombe	

Printed by: Catherine Yandle SPAR.net Print Date: 08 March 2020 15:32

This page is intentionally left blank

Corporate Plan PI Report Corporate

Monthly report for 2019-2020
Arranged by Aims
Filtered by Aim: Priorities Delivering a Well-Managed Council
For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data | Well below target | Below target | On target | Above target | Well above target

* indicates that an entity is linked to the Aim by its parent Service

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
% of complaints resolved w/in timescales (10 days - 12 weeks)	94% (10/12)		90%	96%	98%	95%	95%	96%	96%	95%	95%	94%	91%			Lisa Lewis	(January) report 1st run 04/02/20 (RT)
Number of Complaints	29 (10/12)			26	31	33	34	33	31	30	29	28	28			Lisa Lewis	
New Performance Planning Guarantee determine within 26 weeks	99% (3/4)		100%	n/a	n/a	99%	n/a	n/a	99%	n/a	n/a	99%	n/a	n/a		Maria Bailey, Jenny Clifford	(Quarter 1) Down by 1 FTE (RP)
Major applications determined within 13 weeks (over last 2 years)	86% (3/4)		60%	n/a	n/a	72%	n/a	n/a	72%	n/a	n/a	73%	n/a	n/a		Maria Bailey, Jenny Clifford	(Quarter 1) 1 FTE down (RP)

Printed by: Catherine Yandle **SPAR.net** **Print Date: 08 March 2020 16:48**

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
Minor applications determined within 8 weeks (over last 2 years)	77% (3/4)		65%	n/a	n/a	77%	n/a	n/a	78%	n/a	n/a	78%	n/a	n/a		Maria Bailey, Jenny Clifford	
Major applications overturned at appeal (over last 2 years)	3% (3/4)		10%	n/a	n/a	0%	n/a	n/a	2%	n/a	n/a	2%	n/a	n/a		Maria Bailey, Jenny Clifford	(Quarter 1) down by 1 FTE (RP)
Major applications overturned at appeal % of appeals	n/a	n/a	% Appeals overturned in Q /No of appeals decided in quarter / 2 Appeal Decisions in Q3/ 0 Overturne	n/a	n/a		n/a	n/a	40.00%	n/a	n/a	20.00%	n/a	n/a		Jenny Clifford	(Quarter 3) % Appeals overturned appeals vs No of appeals decided in quarter 2 Appeal Decisions in Q3 0 Overturned in Quarter 3 (RP)
Minor applications overturned at appeal (over last 2 years)	0% (3/4)		10%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a		Maria Bailey, Jenny Clifford	
Minor applications overturned at appeal % of appeals	n/a	n/a		n/a	n/a		n/a	n/a	42%	n/a	n/a	26%	n/a	n/a		Jenny Clifford	(Quarter 3) % Appeals overturned in Q/% Overturned

Printed by: Catherine Yandle SPAR.net Print Date: 08 March 2020 16:48

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
																	in Quarter 1 Appeal Overturned 10 Appeals Decided in Quarter (RP)
Response to FOI Requests (within 20 working days)	95% (11/12)		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		Catherine Yandle	(February) 76 replies all on time (CY)
FOI/EIR Requests where the information was granted in full	n/a	n/a	2018 -19 Q 3 & 4 190 i.e. 59.4%	32	28	26	26	44	34	32	39	25	36	43		Catherine Yandle	(January) 36 out of 72 (HF)
ICO Decision Notices	n/a	n/a	There were 4 complaints in 2018-19 2 Withdrawn 1 Upheld 1 Not Upheld	0	0	1	2	3	3	3	3	3	3	3		Catherine Yandle	(August) Withdrawn (CY)
Working Days Lost Due to Sickness Absence	7.85days (11/12)		7.00days	0.46days	0.96days	1.55days	2.17days	2.88days	3.51days	4.18days	4.79days	5.59days	6.55days	7.17days		Matthew Page	
% total Council tax collected - monthly	97.08% (11/12)		98.50%	11.16%	20.41%	29.29%	38.20%	47.15%	56.18%	65.93%	74.94%	83.97%	92.93%	95.48%		Andrew Jarrett	(January) 0.16% down on last years target looks wrong (DE)

Printed by: Catherine Yandle SPAR.net Print Date: 08 March 2020 16:48

Corporate Plan PI Report Corporate

Priorities: Delivering a Well-Managed Council

Aims: Put customers first

Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Group Manager	Officer Notes
% total NNDR collected - monthly	97.60% (11/12)		99.20%	12.02%	24.00%	33.07%	40.40%	48.98%	57.25%	65.21%	72.43%	80.12%	89.39%	93.51%		Andrew Jarrett	(January) 1.12% UP ON LAST YEARS - Targets may need to be revisited to take into account growth and 12 monthly payers FW and DE will take some time to look. (DE)
Number of visitors per month	2,068 (10/12)		2,500	1,361	1,355	1,257	1,212	1,189	1,200	1,234	1,234	1,194	1,200			Lisa Lewis	

Printed by: Catherine Yandle SPAR.net Print Date: 08 March 2020 16:48

Corporate Risk Management Report - Appendix 6

Report for 2019-2020
Filtered by Prefix: Exclude Risk Prefix: OP, PR, EV
Filtered by Flag:Include: * Corporate Risk Register
For MDDC - Services
Filtered by Performance Status: Exclude Risk Status: Low
Not Including Risk Child Projects records, Including Mitigating Action records

Key to Performance Status:

Mitigating Action: **Milestone Missed** | **Behind schedule** | **In progress** | **Completed and evaluated** | **No Data available**

Risks: **No Data (0+)** | **High (15+)** | **Medium (6+)** | **Low (1+)**

Corporate Risk Management Report - Appendix 6

Risk: Absence of Key Staff Loss of key staff from service (either temporary or permanent) could result in being unable to meet statutory duties and administer an election

Service: Elections and Electoral Registration

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Partnership working arrangements	may require experienced staff from other authorities if staff absent at key times	Jackie Stoneman	02/08/2013	**11/03/2019**	**Fully effective (1)**

Current Status: No Data	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Jill May

Corporate Risk Management Report - Appendix 6

Risk: Climate Change Declaration The implications to the Council's strategic, budget and medium term financial plans are not yet fully explored and understood. This introduces an increased level of uncertainty. Impact of climate change on the financial viability of the Council.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Cabinet Member for Climate Change	Was appointed in January 2020 with specific responsibility for the climate change agenda.	Catherine Yandle	17/02/2020	**17/02/2020**	**Positive(2)**
In progress	Consideration by the Environment PDG	This PDG has been tasked with considering the Council's own policy response (s) to the Climate Change Declaration made at Full Council on 26 June 2019.	Catherine Yandle	19/07/2019	**17/02/2020**	**Positive(2)**

Current Status: High (25) **Current Risk Severity: 5 - Very High** **Current Risk Likelihood: 5 - Very High**

Service Manager: Catherine Yandle

Corporate Risk Management Report - Appendix 6

Risk: Coronavirus Pandemic There is now a significant risk to MDDC's ability to conduct business as usual

Service: Public Health

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business Continuity Planning (BCP)	BCPs have been reviewed. A desktop BCP excercise is taking place on 13 March. Regular updates are being obtained from Public Health England and the Local Resiliance Forum	Catherine Yandle	06/03/2020	**13/03/2020**	**Positive(2)**

Current Status: High (25) | **Current Risk Severity: 5 - Very High** | **Current Risk Likelihood: 5 - Very High**

Service Manager: Simon Newcombe

Risk: Culm Garden Village Possible discontinuance of Government funding support

Service: Planning

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Further bids for capacity funding	To continue to secure external funding to support the project	Jenny Clifford	29/03/2019	**31/01/2020**	**Positive(2)**

Current Status: High (16) | **Current Risk Severity: 4 - High** | **Current Risk Likelihood: 4 - High**

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: Cyber Security Inadequate Cyber Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. If the Council fails to have an effective ICT security strategy in place.

Risk of monetary penalties and fines, and legal action by affected parties

Service: I C T

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Email and Protective DNS	ICT have applied the all levels of the government secure email policy, which ensures secure email exchange with government agencies operating at OFFICIAL. PSN DNS has been configured at the Internet gateway, which ensures the validity of websites and blocks known sites.	Alan Keates	06/06/2019	**07/02/2020**	**Fully effective (1)**
Completed and evaluated	Information Security Policy in place, with update training	Information Security Policy reviewed. LMS (online policy system) included in induction.	Catherine Yandle	22/10/2015	**07/02/2020**	**Fully effective (1)**
In progress	Regular user awareness training	Staff and Member updates help to reduce the risk	Alan Keates	03/01/2019	**07/02/2020**	**Positive(2)**
Completed and evaluated	Technical controls in place	Required to maintain Public Sector Network certification	Alan Keates	03/01/2019	**07/02/2020**	**Fully effective (1)**

Current Status: High (20) **Current Risk Severity: 5 - Very High** **Current Risk Likelihood: 4 - High**

Service Manager: Alan Keates

Corporate Risk Management Report - Appendix 6

Risk: Economic Strategy Failure to deliver projects/outcomes in Economic Strategy

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to seek out existing and new funding opportunities	To assist in ensuring adequate funding for delivery.	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
In progress	partnership working	Continue to work closely with delivery partners to gain advance warning of difficulties so as to seek to mitigate	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
In progress	Project Management	Continue rigorous project management, monitoring and reporting	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
In progress	Review and repriotisation	Part of review of projects for Year 2 actions. This will consider maximising investment and prioritising officer time.	Adrian Welsh	31/01/2020	**27/02/2020**	**Positive(2)**

Current Status: High (16)	**Current Risk Severity: 4 - High**	**Current Risk Likelihood: 4 - High**

Service Manager: Jenny Clifford

Corporate Risk Management Report - Appendix 6

Risk: Funding Insufficient resources (including funding) to deliver growth aspirations of Corporate Plan.

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Officers have reprioritised work programmes to explore new funding opportunities	End of European funding sources	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**

Current Status: High (16) | **Current Risk Severity: 4 - High** | **Current Risk Likelihood: 4 - High**

Service Manager: Adrian Welsh

Risk: GDPR compliance That the Council cannot demonstrate that we are complaint with GDPR requirements.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	IDOX Records Handling Plan	To utilize IDOX bulk data handling tool across the Council services using Uniform	Catherine Yandle	01/03/2019	**08/03/2020**	**Positive(2)**
In progress	Records Management Action Plan	To improve identified issues with records management	Catherine Yandle	15/06/2018	**08/03/2020**	**Positive(2)**

Current Status: Medium (10) | **Current Risk Severity: 5 - Very High** | **Current Risk Likelihood: 2 - Low**

Service Manager: Catherine Yandle

Corporate Risk Management Report - Appendix 6

Risk: Health and Safety Inadequate Health and Safety Policies or Risk Assessments and decision-making could lead to Mid Devon failing to mitigate serious health and safety issues

Service: Human Resources

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Risk Assessments	Review risk assessments and procedures to ensure that we have robust arrangements in place. In progress ready for September reports.	Michael Lowe	28/05/2013	**20/11/2019**	**Fully effective (1)**
In progress	Risk assessments	Group Managers contacted with request to update the outstanding risk reviews	Michael Lowe	20/09/2019	**20/11/2019**	**Positive(2)**

Current Status: Medium (10)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 2 - Low

Service Manager: Michael Lowe

Corporate Risk Management Report - Appendix 6

Risk: Homelessness Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

Service: Housing Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Computer System	New ICT system for recording homelessness data procured and fully functional including reporting facility.	Claire Fry	05/09/2017	**31/12/2019**	**Fully effective (1)**
Completed and evaluated	Staff Support	Officers are trained and knowledgeable and the structure of Housing Options team to be reviewed to build resilience. Homelessness strategy was reviewed Autumn 2019.	Claire Fry	22/06/2017	**31/12/2019**	**Fully effective (1)**

Current Status: Medium (12)	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Corporate Risk Management Report - Appendix 6

Risk: Information Security Inadequate data protection could lead to breaches of confidential information and ultimately enforcement action by the ICO.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Awareness and Training	Attend team meetings and other meetings such as Tenants Together to provide training and answer questions on request. Articles in the Link on an ad hoc basis.	Catherine Yandle	09/08/2019	**08/03/2020**	**Positive(2)**
Completed and evaluated	Breach notification	Security breaches are logged via the helpdesk and monitored for developing trends. Training and advice is offered in response to items logged.	Catherine Yandle	09/08/2019	**08/03/2020**	**Fully effective (1)**

Current Status: High (15)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 3 - Medium

Service Manager: Catherine Yandle

Corporate Risk Management Report - Appendix 6

Risk: Infrastructure delivery Inability to deliver, or delay in deliverying, key transport infrastructureto unlock planned growth

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
No Data available	Partnership working with infrastructure providers and statutory bodies	Reduce risk of delays and communication.	Adrian Welsh	10/06/2019	**27/02/2020**	**No Score(0)**
No Data available	target funding opportunities	To seek to bring forward delivery	Adrian Welsh	10/06/2019	**27/02/2020**	**No Score(0)**

Current Status: Medium (12)	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Jenny Clifford

Risk: Localism Act - Community Right to Buy / Challenge Transference of services to the community could enable the Council to identify cost savings

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	This is an opportunity - Communication with third parties needed		Jo Nacey	02/08/2019	**02/08/2019**	**Positive(2)**

Current Status: Medium (12)	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: Multi Storey Car Park Injury may result from vehicle movements

Service: Property Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Security patrols in place twice and week.	Deputy Chief Executive approved the control measure of security patrols twice a week, this has had an impact and even during the summer break the activity has reduced.	Andrew Busby	24/08/2019	**24/12/2019**	**Positive(2)**

Current Status: Medium (12) | **Current Risk Severity: 4 - High** | **Current Risk Likelihood: 3 - Medium**

Service Manager: Andrew Busby

Risk: Overall Funding Availability Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Engaging in commercial activities		Jo Nacey	28/09/2017	**06/01/2020**	**Positive(2)**
In progress	Medium term planning		Jo Nacey	28/09/2017	**06/01/2020**	**Positive(2)**

Current Status: High (15) | **Current Risk Severity: 5 - Very High** | **Current Risk Likelihood: 3 - Medium**

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: Reduced Funding - Budget Cuts We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Business Plans	Service Business Plans are reviewed each financial year with suggestions for revised performance targets based on budget to be agreed by Cabinet Member and PDG.	Jo Nacey	28/05/2013	**06/01/2020**	**Positive(2)**
In progress	Identify Efficiencies	Taking proactive steps to increase income and reduce expenditure through efficiencies, vacancies that arise and delivering services in a different way.	Andrew Jarrett	28/05/2013	**06/01/2020**	**Positive(2)**
In progress	Reserves	Cabinet have taken the decision to recommend a minimum general reserve balance of 25% of Net annual budget.	Andrew Jarrett	28/05/2013	**06/01/2020**	**Positive(2)**
In progress	Set Budget	Each year as part of the budget setting process, members are consulted via PDGs in time to evaluate savings proposals, ahead of the November draft budget.	Andrew Jarrett	28/05/2013	**06/01/2020**	**Positive(2)**

Current Status: High (16) | **Current Risk Severity: 4 - High** | **Current Risk Likelihood: 4 - High**

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: Reputational damage - social media impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

Service: Communications

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Monitoring social media	Two members of the communications team monitor the main corporate social media accounts on a rota basis. Alerts are also set up so the team receives notification of comments and can respond as appropriate. This is monitored in office hours only and the team does not provide 24 hour monitoring or a call out function. The Comms Team also works with other local authorities and takes part in social media training with other local authorities as the opportunities arise budgets permitting.	Jane Lewis	05/06/2019	**05/06/2019**	**Positive(2)**

Current Status: Medium (10)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 2 - Low

Service Manager: Jane Lewis

Risk: S106 Agreement Inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements

Service: Planning

Mitigating Action records

No Mitigating Action records found.

Current Status: Medium (10)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 2 - Low

Service Manager: Jenny Clifford

Corporate Risk Management Report - Appendix 6

Risk: SPV - 3 Rivers - Failure of the Company This will depend on Economic factors and the Company's success in the marketplace commercially.
For MDDC the impacts will be:
3 Rivers are unable to service and repay the loan from MDDC
Not receiving the forecast additional income
Not supporting corporate objectives.

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Quarterly Officer Programme Board	Will receive detailed project updates and will ensure performance correlates with existing metrics, budgets, timetable and considers any specific material project risks that have been identified. Anything materially o/s of project confines would then be reported to Cabinet	Catherine Yandle	13/06/2019	**06/01/2020**	**Positive(2)**
In progress	Regular monitoring	The Board of 3 Rivers deliver a half yearly report to the Cabinet which provides an update on their delivery against their business plan. We charge interest to them at a commercial rate in order to maintain an "arms-length" relationship and the interest provides some mitigation to the outstanding principal.	Jo Nacey	30/05/2019	**06/01/2020**	**Positive(2)**

Current Status: High (20) | **Current Risk Severity: 5 - Very High** | **Current Risk Likelihood: 4 - High**

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: SPV Disclosure requirements - 3 Rivers Failing to maintain the balance between commercial sensitivity and the transparency and openness requirements of a wholly owned entity.

Service: Financial Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Employed services of Ichabod	We can refer technical matters regarding group accounts etc. to our retained technical advisor. This is a cost effective way of receiving technical updates.	Jo Nacey	02/01/2018	**06/01/2020**	**Positive(2)**
In progress	Liaison with External Auditors and 3 Rivers	We have regular discussions with our external auditors to ensure that we are providing the correct information for decision making purposes. We are mindful of the need to maintain commercial sensitivity but we are also aware that Members must be appraised to an appropriate level to be able to make informed decisions.	Jo Nacey	06/01/2020	**06/01/2020**	**Positive(2)**

Current Status: Medium (12)	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Corporate Risk Management Report - Appendix 6

Risk: SPV Governance Arrangements - 3 Rivers Not being able to demonstrate robust challenge and decision-making.

Service: Governance

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Included on AGS	This issue has been included on the Annual Governance Statement Action Plan so we do not lose sight of the issue throughout the year.	Catherine Yandle	15/07/2019	**08/03/2020**	**Positive(2)**
In progress	Openness and Transparency	Regular reports to Cabinet in open session where possible. Need to balance commercial interests with Nolan principles.	Catherine Yandle	20/05/2019	**08/03/2020**	**Positive(2)**

Current Status: Medium (10)	**Current Risk Severity: 5 - Very High**	**Current Risk Likelihood: 2 - Low**

Service Manager: Catherine Yandle

Corporate Risk Management Report - Appendix 6

Risk: ST-Reduction in Garden Waste Customers Loss of income; reduction in recycling rate

Service: Street Scene Services

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Completed and evaluated	Reminder to renew correspondence	To maintain the existing customer base	Lorraine Durrant	06/06/2019	**05/07/2019**	**Fully effective (1)**
Completed and evaluated	Social media compaigns & publicity	To ensure that information about the garden waste service reaches as many residents as possible	Lorraine Durrant	06/06/2019	**05/07/2019**	**Fully effective (1)**

Current Status: Medium (12)	Current Risk Severity: 4 - High	Current Risk Likelihood: 3 - Medium

Service Manager: Stuart Noyce

Corporate Risk Management Report - Appendix 6

Risk: Tiverton Pannier Market Failure to maximise the economic potential of Tiverton Pannier Market

Service: Growth, Economy and Development

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
In progress	Continue to retain and prioritise market budget	To ensure most efficient use of resources	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
In progress	continue to work with traders on promotion	To increase footfall.	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
In progress	Implement and review market strategy	Implementation of strategy will increase market's financial success and help fulfill its function as a key driver for the town.	Adrian Welsh	10/06/2019	**27/02/2020**	**Positive(2)**
Behind schedule	Masterplan Implementation	To realise benefits from the Masterplan to increase visibility of market and increase footfall.	Adrian Welsh	10/06/2019	**27/02/2020**	**Poor - action required(3)**

Current Status: Medium (12)	**Current Risk Severity: 4 - High**	**Current Risk Likelihood: 3 - Medium**

Service Manager: Jenny Clifford

Corporate Risk Management Report - Appendix 6

Risk: Tiverton Town Centre Masterplan Failure to adopt and implement the Tiverton Town Centre Masterplan

Service: Planning

Mitigating Action records

Mitigation Status	Mitigating Action	Info	Responsible Person	Date Identified	Last Review Date	Current Effectiveness of Actions
Milestone Missed	Community and political enagement	Through the masterplanning process engagement is taking place with key stakeholders over the emerging masterplan. A further period of public consultation is also yet to take place.	Adrian Welsh	07/10/2019	**27/02/2020**	**Positive(2)**

Current Status: Medium (12)	**Current Risk Severity: 4 - High**	**Current Risk Likelihood: 3 - Medium**

Service Manager: Jenny Clifford

Printed by: Catherine Yandle **SPAR.net** **Print Date: 15 March 2020 17:35**

This page is intentionally left blank

Risk Matrix

Report
Filtered by Prefix: Exclude Risk Prefix: OP, EV
For MDDC - Services
Current settings

Risk Likelihood						
	5 - Very High	No Risks	No Risks	No Risks	No Risks	2 Risks
	4 - High	No Risks	No Risks	No Risks	4 Risks	2 Risks
	3 - Medium	No Risks	1 Risk	11 Risks	10 Risks	2 Risks
	2 - Low	No Risks	3 Risks	13 Risks	18 Risks	5 Risks
	1 - Very Low	2 Risks	3 Risks	2 Risks	3 Risks	5 Risks
		1 - Very Low	2 - Low	3 - Medium	4 - High	5 - Very High
		Risk Severity				

Printed by: Catherine Yandle **SPAR.net** **Print Date: 15 March 2020 17:34**

This page is intentionally left blank

Document is Restricted

This page is intentionally left blank

AUDIT COMMITTEE
24 MARCH 2020

PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Cabinet Member	Cllr Bob Deed, Leader
Responsible Officer	Catherine Yandle, Group Manager Performance, Governance and Data Security

Reason for Report: To provide the Committee with an update on progress made against the Annual Governance Statement 2018/19 Action Plan.

RECOMMENDATION(S): The Committee note the progress update

Relationship to the Corporate Plan: Having good governance arrangements and an effective internal control environment is a fundamental element of being a well-managed council.

Financial Implications: None arising from this report.

Legal Implications: None arising from this report.

Risk Assessment: Failure to monitor progress against the Annual Governance Statement Action Plan could result in comment from the external auditors when they next review the Annual Governance Statement.

Equality Impact Assessment: No equality issues identified for this report.

Impact on Climate Change: No impacts identified for this report.

1.0 Introduction

1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement Action Plan since the Audit Committee approved it on 15 July 2019.

1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document. There were 8 issues identified in the 2018/19 Annual Governance Statement which required remedial action.

1.3 Progress was expected and made on all actions. 6 actions are now completed and 2 partially completed. One is not due to be finished by 31 March 2020 i.e. part of Action 8.

1.4 Progress against the Action Plan is reported at each Audit Committee. There is a column for RAG status to make progress clearer.

Contact for more Information:	Catherine Yandle Group Manager Performance, Governance and Data Security ext 4975
Circulation of the Report:	Leadership Team and Cabinet Member
List of Background Papers:	None

Annual Governance Statement 2018-19 Action Plan				
Issues Identified	**Action to be taken**	**By whom and progress**	**When**	**Status**
1. The Internal Audit report for Development Control identified “Improvements Required” with regard to the inability of the legacy systems to provide a full overview of the ‘trigger points’ for all of the s106 agreements.	A project to address this is ongoing through use of specialised software, although populating the system is time consuming as many of the s106 agreements are complex. The current position is being reviewed by senior management. An options report has been prepared by ICT to consider software options to manage, track and report S106 requirements and payments.	Head of Planning, Economy and Regeneration An updated database of S106 records has been put in place. Proposed S106 governance arrangements have not yet been agreed by Members. A working group of PPAG is being set up to consider proposals in more detail. Final decision to be taken in March 2020 over whether to continue use of existing system for CIL purposes.	30 September 2019 31 March 2020	
2. Increase ethics awareness training in the staff induction process	Write an ethics training module in the new Learning Management System (LMS) for the mandatory induction process	Director of Business Transformation and Corporate Affairs Ethics module now published on LMS	30 November 2019	

3. Continue to strengthen the link between finance and performance during 2019/20, particularly in the light of budget cuts and cost savings requirements.	All Members' Budget Prioritisation Away Day Include financial information to inform performance reporting	Deputy Chief Executive Finance information is now regularly included in performance and risk reports	6 September 2019 29 February 2020	
4. The internal audit report on risk management opinion was "The quality of information about risks and the mitigating action of those risks required significant improvement to enable the risk register and risk management framework to be an effective tool to protect the Council's activities".	Amendments to the reports have been made already with the June committee reports, further improvements are planned over the next couple of months.	Director of Business Transformation and Corporate Affairs	Deadline agreed with Internal Audit 30 September 2019	
5. An Internal Audit Report on 3 Rivers states "We consider that the current developing position of the Company and the level of risk and investment into this new venture represents a significant risk to the Authority."	We have reviewed the risks on the Corporate Risk Register to reflect the findings of the Internal and External audit reports. This will be regularly monitored and updated where appropriate.	Deputy Chief Executive	30 September 2019	
6. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish	The Council has to balance the requirements for openness and transparency of Council business and decision-making	Deputy Chief Executive The Standards Working Group has reviewed this report and the best	31 October 2019	

their board agendas and minutes and annual reports in an accessible place. Best Practice 14 from Ethical Standards in Local Government A Review by the Committee on Standards in Public Life January 2019	versus commercial sensitivity of 3RDL.	practice guidance. On the advice of the Monitoring Officer, on 9 October 2019, the Standards Committee decided that the case for this Best Practice 14 was unconvincing and should not be regarded as best practice and that it should be not be required of 3RDL. The Board agendas and minutes are peppered throughout with commercially sensitive information – for both the Council and third parties – and including personal data. Publication could lead to less visibility for the Council as shareholder and decisions not being fully evidenced in writing.		
7. The Equality Objective for 2018/19 to review the work of, and work towards the revival of, the Corporate Equalities Group has not yet been completed. Although some progress has been made this will continue to be the Equality Objective for 2019/20.	This is being worked on together with Communications and in accordance with the Community Engagement Strategy and Action Plan	Director of Business Transformation and Corporate Affairs Two meetings of the Equality forum have been held with a third scheduled for April 2020.	31 March 2020	

8. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.	Skills Audit to be completed by collecting information as part of the appraisal process and utilisation of the LMS system to record qualifications and experience. The new “Evolve” project is wrapping up these themes.	Director of Business Transformation and Corporate Affairs The new GM for HR has set out a series of practical steps to ensure “Evolve” is fully implemented. This includes the following: An immediate focus on the completion of Appraisal 19/20 The carrying out of an audit of the above process The implementation of a new Appraisal and Competency process followed by completion of the skills audit	30 September 2019 31 October 2019 April 2020 September 2020	

Green is completed Amber is in Progress Red is due but not completed White is not due for completion yet

AUDIT COMMITTEE
24 MARCH 2020

RISK & OPPORTUNITY MANAGEMENT POLICY

Cabinet Member	Cllr Bob Deed, Leader of the Council
Responsible Officer	Catherine Yandle, Group Manager for Performance, Governance and Data Security

Reason for Report: To present the Committee with the updated Risk & Opportunity Management Policy for approval

RECOMMENDATIONS:

The Committee approves the updated Risk & Opportunity Management Policy (Appendix A).

Relationship to Corporate Plan: Having effective Risk & Opportunity Management arrangements in place is crucial to enable the Council to identify opportunities and mitigate risks to the Priorities contained in the Corporate Plan.

Financial Implications: Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

Budget and Policy Framework: This policy is approved by Audit Committee annually.

Legal Implications: Potential breach of the Accounts and Audit Regulations (2015).

Risk Assessment:

i. Failure to take advantage of opportunities and mitigate business risks could impact on the Council's ability to deliver its strategic objectives.

ii. Assessment of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

Equality Impact Assessment: No equality issues identified for this report.

1.0 Introduction

1.1 The Risk & Opportunity Management Policy was last updated and approved by the Audit Committee on 19 March 2019.

1.2 The Council has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations (2015) to conduct a review at least once a year of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. For a local authority in England that statement is the Annual Governance Statement as will be presented to this Committee with the Statement of Accounts in May.

1.3 One of the principles of good governance as defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) is: Managing risks and performance through internal control and strong public financial management.

1.4 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.

1.5 The purpose of this report is to update the Council's Risk & Opportunity Management Policy (attached as Appendix A) for the 2020/21 financial year. For ease of reference the changes to the document have been tracked. The necessity to have adequate mitigating actions in place has been strengthened.

2.0 Risk Appetite/Tolerance and Reporting

2.1 Risk appetite is best summarised as 'the amount of risk an organisation is willing to seek or accept in pursuit of its long term objectives'. The Council aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. The Council's risk appetite scoring diagram or matrix is shown in section 2.2.

2.2 Risk tolerance is the level of risk which is acceptable to the Council. The Council's present tolerance levels are:

- **5 or less – Low**,
- **6 to 12 – Medium**,
- **15 to 25 - High**.

The matrix looks like this:

Impact						
	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
	Likelihood					

2.3 Risks scoring 10 and above are reported to Committees on the Performance and Risk reports 6 times a year from SPAR, the Corporate Service Performance and Risk Management system.

2.4 It is not proposed to change the Council's tolerance level or reporting arrangements at this time.

3.0 Conclusion

3.1 Risk & Opportunity Management is not a separate initiative, but is a demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk & Opportunity Management are reflected in the activities of the Council.

3.2 Approval of the Risk & Opportunity Management Policy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

Contact for more Information: Catherine Yandle, Group Manager for Performance, Governance and Data Security ext 4975

Circulation of the Report: Cllr Bob Deed and Management Team

This page is intentionally left blank

APPENDIX A

Risk & Opportunity Management Policy 20~~19/20~~20/21

1.0 BACKGROUND

1.1 This combined Risk and Opportunity Management Policy details the Council's framework for managing business risk and opportunity. The management of risk and opportunity is now acknowledged as a feature of public sector management. It is an integral part of the Council's Corporate Governance arrangements and the Council has a statutory responsibility under the Account and Audit Regulations to put in place arrangements for the management of risks.

1.2 The definition of risk varies. ALARM (the Association of Local Authority Risk Managers) defines Risk Management as follows:

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

1.3 Developing and improving public services in the current challenging climate requires opportunities to be taken whilst managing the risks involved. Therefore Mid Devon District Council's definition of Risk and Opportunity Management is:

"The planned and systematic approach to identify, evaluate and manage the risks to, and opportunities for, to achievement of objectives"

1.4 The overall process of managing risk and opportunity can be divided into:

- The identification and analysis of risks and opportunities
- Risk and opportunity management, which encompasses the planning, controlling and monitoring of the information derived from the risk and opportunity analysis.

2.0 PURPOSE, AIMS AND OBJECTIVES

2.1 The purpose of the Policy is to embed risk and opportunity management in the Authority by establishing a risk management framework, which provides:

- An efficient control environment
- Accountability for risk and opportunity management throughout the organisation
- A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
- A well-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process
- Performance monitoring of risk and opportunity management activity
- Communications process to support risk and opportunity management
- A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

2.2 The aim of the MDDC Risk and Opportunity Management Policy is to adopt best practices in the identification and evaluation of risks and opportunities and the cost-effective control of risks to ensure that they are reduced to an acceptable level.

2.3 It is acknowledged that some risks will always exist and will never be eliminated. All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

2.4 The risk and opportunity management objectives of the Council are to:

- Embed risk and opportunity management into the culture of the Council
- Fully incorporate risk and opportunity management as an integral part of corporate planning, business planning, project management and performance management
- Manage risk and opportunity in accordance with best practice and in particular in accordance with the requirements of the Annual Governance Statement
- Consider legal compliance as a minimum
- Prevent injury and damage and reduce the cost of risk
- Raise awareness of the need for risk and opportunity management

2.5 These objectives will be achieved by:

- Establishing a clear risk and opportunity management process that is communicated to all officers and Members
- Clearly define roles and responsibilities for risk and opportunity management
- Developing an action plan for embedding risk and opportunity management with tasks and milestones for monitoring progress against targets
- Providing risk and opportunity management training to officers and members
- Completing corporate and operational risk and opportunity management workshops to identify risks
- Conducting risk and opportunity management workshops to identify the risks and opportunities of any major projects
- Maintaining and reviewing a register of corporate, operational and project risks and opportunities and assigning ownership for each risk
- Ensuring that reports to the Cabinet, Scrutiny Committee, Audit Committee, Policy Development Groups (PDGs) and Regulatory Committees include a risk and opportunity assessment
- Identifying risks and opportunities in relation to working in partnerships
- Ensuring that the Cabinet, Audit Committee, Scrutiny Committee and PDGs receive regular reports on the key business risks and opportunities and take action to ensure that business risks and opportunities are being actively managed.

2.6 The following sections consider how the Council will implement the above objectives.

3.0 ROLES AND RESPONSIBILITIES

3.1 The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.

3.2 The **Audit Committee** will approve this Risk and Opportunity Management Policy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council by receiving regular progress reports on the Council's key business risks and opportunities, take

appropriate action to ensure that they are being actively managed and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.

3.3 The **Leadership Team** is primarily responsible for setting the organisation's risk appetite and identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. The wider Group Managers ~~Team~~ will also be responsible for monitoring the progress of managing risks and opportunities and will review the reports to the PDGs, Audit Committee, Cabinet and Scrutiny Committee.

3.4 The **Cabinet** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving regular progress reports on the Council's key business risks and opportunities through the performance and risk report.

3.5 The **Scrutiny Committee** will also receive regular progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Cabinet and/or Audit Committee.

3.6 The **Policy Development Groups (PDGs)** will receive updates on risks and opportunities relating to any policy development matters.

3.7 The ~~Finance Cabinet Member~~Leader of the Council will:

- Communicate the importance of risk and opportunity management to other Members
- Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process

3.8 ~~Head of Service~~Directors/**Group Managers** will be responsible for:

- Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
- Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project
- Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
- Ensuring that all risks are on the corporate risk register (the Key Business Risks will be held on SPAR and other service risk assessments held on the corporate health and safety drive)
- Regularly reviewing risks associated with their service area(s) ensuring that the agreed actions and deadlines have been met
- Ensuring that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

3.9 The **Group Manager for Performance, Governance and Data Security** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management Policy and for reviewing compliance with mitigating controls introduced by the Service Managers. The Group Manager for Performance, Governance and Data Security will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement.

Internal Audit will consider risk and controls in their audit reviews and report on the adequacy of risk management in that area.

3.10 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Health and Safety Officer and Leadership Team for action.

3.11 All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their Group/Service Manager.

4.0 STRATEGIC, OPERATIONAL AND PROJECT RISKS

4.1 Broadly speaking risks can be divided into three categories:

- **Strategic** – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council whilst at the same time considering the opportunities; and
- **Operational** – risks and opportunities which managers will encounter in the daily course of their work.
- **Project** - risks and opportunities which will be encountered during specific tasks/projects being undertaken

4.2 Strategic Risks

4.2.1 The management of strategic risks and opportunities is a core responsibility of the Leadership Team. Strategic risk and opportunity assessments should be factored into corporate and service planning.

4.2.2 The major categories of strategic risk are:

- **Political** – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc.
- **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.

- **Social** – relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.
- **Technological** – associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands.
- **Data Protection/Information Security** – this includes the consequences of data/information transfer between the Council and other Bodies i.e. Government Connect, Partnership working, etc.
- **Legislative** – associated with current or potential changes in national or European Law.
- **Health and Safety** – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation
- **Environmental** – relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of climate change including energy efficiency, pollution, recycling, landfill requirements, emissions, etc).
- **Competitive** – affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Value for Money.
- **Customer/Citizen** – associated with failure to meet the current and changing needs and expectations of customers and citizens.
- **Partnership** – associated with working in partnership or sharing services with another local authority or partner

4.3 **Operational Risks**

4.3.1 Risks which managers and staff will encounter in the daily course of their work. These may be:

- **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- **Financial** – associated with financial planning and control and the adequacy of insurance cover.
- **Legal** – related to possible breaches of legislation.
- **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 **Project Risks**

4.4.1 Risks which will be encountered during specific tasks/projects being undertaken. These may be:

- **People** – associated with whether we have the right people with the right skills involved in the task/project. This also concerns getting buy in from staff at all levels of the organisation, Members and potentially external stakeholders
- **Technical** – associated with the Council's reliance on the software provider to deliver what has been agreed in the contract and that they provide support for dealing with any system problems or issues
- **Cost** – associated with the potential for the project to go over budget if the people and technical matters are not delivered as per the Business Case and PID
- **Time** – ensure that the right amount of time is allocated to the project as well as sufficient contingency as slippage can cause to project delay/failure and this can also have an impact on cost and quality
- **Quality** – depending on what goes into the project will determine the quality of the output

4.5 **Opportunities**

4.5.1 Opportunities are to be considered at the same time as the risks. Examples may include:

- Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- Transformational change which will generate cost savings or an income stream
- Opportunities for great partnership working with our stakeholders or other local authorities
- Opportunities to streamline working processes
- Opportunities to boost the local economy
- Opportunities to deliver and improve housing within the District
- Opportunities to protect and enhance our environment
- Opportunities to make a difference to our communities and to empower them
- Delivery of the objectives in the Corporate Plan and Service Business Plans

4.6 The categories are neither prescriptive nor exhaustive. However, they should provide a framework for identifying and categorising a broad range of risks and opportunities for the Council as a whole, as well as service areas.

Risk & Opportunity Management Policy 20~~19/20~~20/21

5.0 RISK MANAGEMENT PROCESS

5.1 The ***four***-step process below will cover all areas of risk and opportunity management including making strategic decisions, managing strategic, operational and project risks and opportunities.

5.2 **Step 1 – Identify Risks and Opportunities**
All sources of risk and opportunity need to be identified. These should include strategic, operational and project risks.

5.3 **Step 2 – Analysing Risks and Opportunities**
Once the risks and opportunities have been identified they then need to be analysed to consider the impact/severity and likelihood or any risks occurring and the potential benefits of any opportunities.

There is a separate document for scoring guidance to ensure a consistent approach to scoring risks across the Council's services. Appendix 1

5.4 The assessment process uses a 5x5 scoring matrix (see below):

Impact/ Severity					
5	10	15	20	25
4	8	12	16	20
3	6	9	12	15
2	4	6	8	10
1	2	3	4	5
		Likelihood		

Where the scores of impact x likelihood equals the total risk score. Risks scoring between 15 and 25 would be classed as high risk (red) with 25 being the highest risk. Risks scoring between 6 and 12 would be classed as medium risk (amber) and risks scoring between 1 and 4 would be low risk (green). Risks that score 10 or above will be classed as the Council's key business risks and will be reported to PDGs, the Audit Committee, Cabinet and Scrutiny Committee.

High scoring risks will be reviewed by the risk owner at least every 3 months and all risks at least annually. If a risk profile changes at any other time the risk score and review notes on mitigating actions and their status should be updated.

The risks will then need to be considered in conjunction with any opportunities when making decisions.

Benefits of Opportunities

The assessment methods for determining the potential benefits of opportunities can include:

- Assessing the increased income/reduced expenditure from the innovation
- Quantifying the number of potential new customers
- Calculating the potential sales growth that could stem from capturing the opportunity
- Calculating the return on investment for a particular project and whether that is the level of return that the Council is looking for
- Considering the value added as a result of capitalising on the innovation e.g. the benefit to the community

5.5 **Step 3 – Control the Risks**

This involves taking action to minimise the likelihood of a risk occurring and/or reducing the severity of the consequences should the risk occur. Actions need to be allocated to responsible officers along with a realistic target date for implementation.

Determine the best course of action for the Council. There are 5 key action strategies to managing risk:

Policy	Action
Prevention	Terminate the risk*
Reduction	Treat the risk
Transference	Pass risk to a third party e.g. Insurance
Acceptance	Tolerate the risk
Contingency	Action plan implemented

* This can include carrying on the activity but modified so that the risk ends, or stopping the activity to end the risk.

5.6 **Step 4 – Monitor and Report Progress**

Progress in managing risks and opportunities should be monitored and reported so that losses are minimised and intended actions and opportunities are achieved. Risk and Opportunity Management is an on-going process that should be constantly revisited and reviewed to ensure that new and emerging risks and opportunities are picked up and acted upon.

5.7 It is important to recognise these four steps as part of a cycle. Risk and Opportunity Management is dynamic and so the identification phase needs to be done continuously. It is also important to consider whether the nature of the risk or opportunity has changed over time – thereby completing the cycle.

5.8 All risks scoring above 15 will be monitored by Leadership Team at their monthly Corporate Performance meetings. Leadership Team will expect to see effective mitigating ~~factors~~ actions in place to reduce the risk severity to acceptable levels as soon as possible.

5.9 Leadership Team and Members expect to see up to date and relevant review notes for the mitigating actions on all risks reported to Committee.

6.0 RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

6.1 For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.

6.2 The Group Manager for Performance, Governance and Data Security will regularly raise awareness of Risk and Opportunity Management through the Officer newsletter (the Link), the Member newsletter (WIS) and through briefing sessions.

This page is intentionally left blank

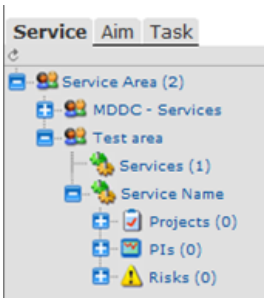
Risk Management on SPAR.net
This document is a guide to Risk Management on SPAR.net. It should be read in conjunction with the Council's Risk Management Strategy and Health and Safety policies, all available on SharePoint.

The Process
Service Managers should complete Risk Assessments for:

- Strategic and Service risks, annually (using their Business Plans) and as and when required (eg through Delegated Decision forms)
- Operational risks (including Health and Safety risks), annually and every time a change occurs in the office environment or job role (using the Risk Assessment template)
- Events (facilitated by the Council), in the planning stage and for the venue for each event
- Projects, in the planning stage using a project risk assessment form and for long-term projects, a review summary annually (in Business Plans).
- Partnerships, in the planning stage (using the Risk Assessment template) and a review summary annually (in Business Plans).

Upon completion of a Risk Assessment, Heads of Service are required to sign-off the form. At this stage, the Group Managers should score the risk by rating the severity and likelihood. A copy of this form should then be passed to the Council's Health and Safety Advisor for Health and Safety Risks or to Group Manager for Performance, Governance and Data Security for all others. This information will then be entered onto the Council's Risk Register on SPAR.net.

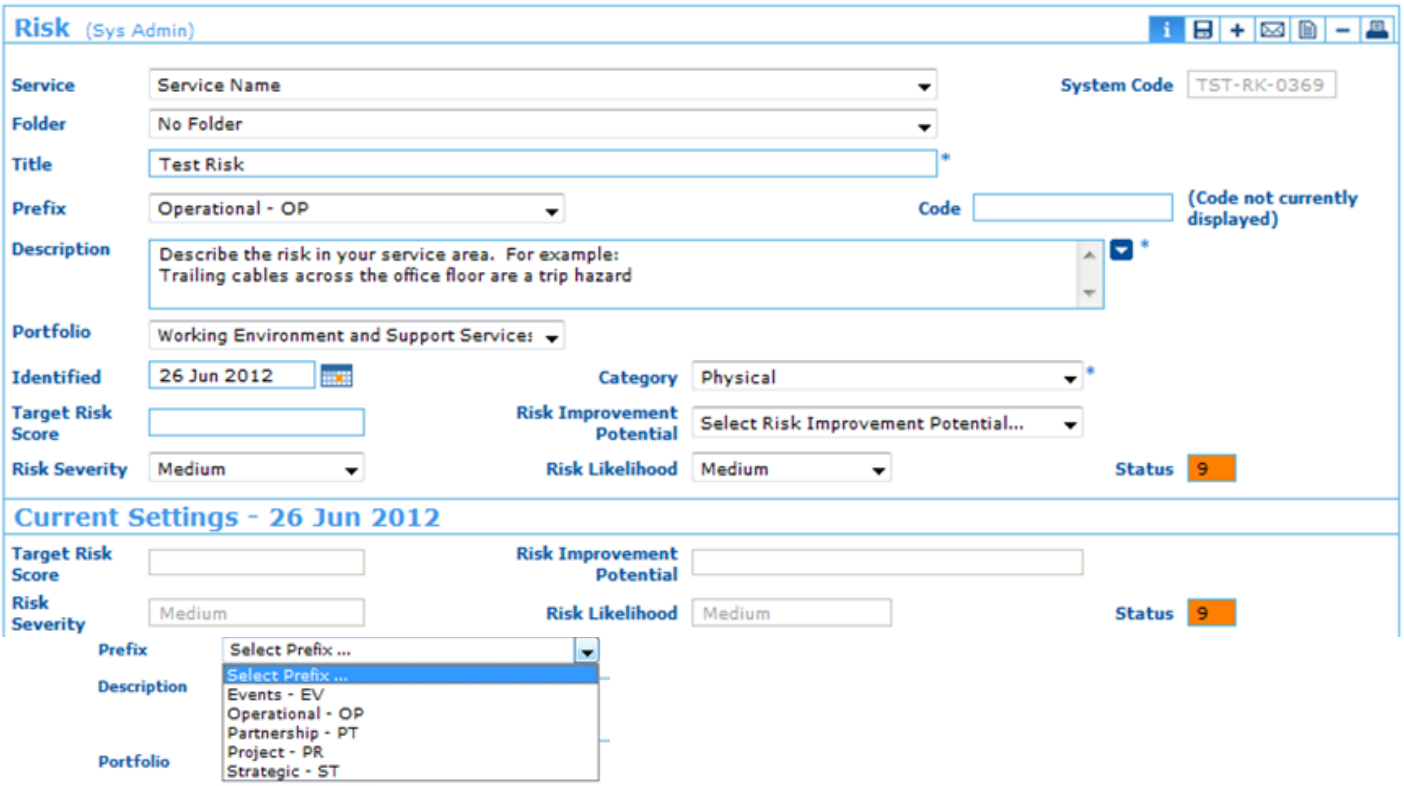
Risks will also be collected from information contained within Internal Audit reports and Committee reports.



The Risk Register

Risks on SPAR.net can be located using the menu on the left. Select Service, then click on the cross next to your service name and you will see a sub menu for Projects, PIs and Risks. Select Risks to view the risks currently registered for your area.

Each risk will have a front page detailing information about the risk, based on the information given in the Risk Assessment.



Prefix:

The prefix identifies the type of risk.

The category identifies the associated impact. The categories follow the list detailed in the Risk Management Strategy.

A hazard is anything that may cause harm (to people or to the service/Council). The risk is the likelihood of that harm occurring, together with an indication of how serious that harm could be.

Risk management **is** about:
- Ensuring that workers and the public are properly protected
- Providing overall benefit to society by balancing benefits and risks, with a focus on reducing real risks – both those which arise more often and those with serious consequences
- Enabling innovation and learning not stifling them
- Ensuring that those who create risks manage them responsibly and understand that failure to manage real risks responsibly is likely to lead to robust action
- Enabling individuals to understand that as well as the right to protection, they also have to exercise responsibility

Risk management **is not** about:
- Creating a totally risk free society
- Generating useless paperwork mountains
- Scaring people by exaggerating or publicising trivial risks
- Stopping important recreational and learning activities for individuals where the risks are managed
- Reducing protection of people from risks that cause real harm and suffering

Who Might be Harmed and How
The Risk Assessment form asks to identify who might be harmed by each hazard. This does not mean listing everyone by name, but rather identifying groups of people (eg 'people working in the office').

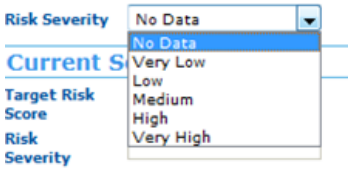
In each case, identify how they might be harmed, ie what type of injury or ill health might occur. For example, 'shelf stackers may suffer back injury from repeated lifting of boxes'.

Remember:
- some workers have particular requirements, eg new and young workers, new or expectant mothers and people with disabilities may be at particular risk. Extra thought will be needed for some hazards;
- cleaners, visitors and volunteers, contractors, maintenance workers etc, who may not be in the workplace all the time;
- members of the public, if they could be hurt by your activities;
- if you share your workplace, you will need to think about how your work affects others present, as well as how their work affects your staff – talk to them; and
- ask your staff if they can think of anyone you may have missed.

We also have a duty to be aware of and report on instances affecting Child Protection and potential issues in relation to the Equality Act.

Scoring Risks

Risk Severity
The Risk Severity measures the impact. The following guide is neither prescriptive nor exhaustive but should provide a framework for the range of impacts a risk could have and how to score such impacts.



1 - Very Low
- Localised minor injury or health impact to one person (no time off work required)
- Small financial loss or service cost increase (less than £5,000)

2 - Low
- Localised minor injury or health impact to one person (small time off work required eg less than 1 week)
- Some loss of confidence and trust in the Council felt by a certain group or within a small geographical area
- Financial loss or service cost increase (eg over £5,000)
- Theft of Council property, assets, resources (less than £5,000

3 - Medium
- Minor injury or health impact to multiple persons (small time off work required eg less than 1 week)
- Injury or health impact to one person (substantial time off work required eg more than 1 week)
- Contract, resource, data or equipment failure resulting in short-term inability to maintain service
- Capacity of technology unable to meet changing demands of service needs
- Incorrect information being published / use of incorrect information in financial calculations, financial transactions are incorrectly processed resulting in incorrect payments
- Lax service delivery and/or inability to meet non-statutory service objectives / targets
- General loss of confidence and trust in the Council within the local community
- Substantial financial loss or service cost increase (eg over £50,000)

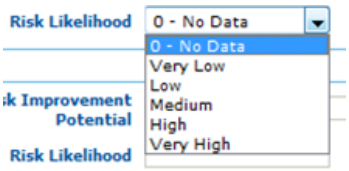
- Theft of Council property, assets, resources (eg over £5,000)

4 - High
- Serious injury or health impact to one person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain service or short-term inability to maintain several services
- Localised damage to Council property / premises
- Localised environmental impact
- Breaches of, or damning external audit report for failure to comply with, legislation / accepted standards eg CIPFA, Data Protection, TUPE, Equality Act
- Inability to meet Council objectives, customer requirements or financial commitments
- Inefficient use of resources, services offering poor value for money, officers at risk of false accusations of fraud, corruption or misappropriation
- Poor / incorrect political and managerial decision-making could take place
- Inability to account for all income received, expenditure made and other financial information
- Major loss of confidence and trust in the Council within the District
- Serious financial loss or service cost increase (eg over £250,000)
- Theft of Council property, assets, resources (eg over £50,000)

5 - Very High
- Serious injury or health impact to several or death of a person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain several services
- Serious damage / destruction of Council property / premises
- Prosecution for failing to comply with / serious breach in, or non-application of legislation / accepted standards
- Serious, District-wide environmental impact
- Failure to deliver either local or central Government policy, statutory timescales are not met
- Failure of internal control systems, leading to the possibility of fraud, corruption, loss, extravagance, waste or embarrassment to the Council
- Disastrous loss of confidence and trust in the Council both locally and nationally
- Serious financial loss or service cost increase (eg over £1,000,000)

Likelihood Ratings

The likelihood rating needs to be based on **existing** precautionary measures in place, at the time of the Risk Assessment. When measuring the likelihood, consider the level of internal controls or mitigating actions in place as well as frequency of contact with hazardous situation. For example:



1 - Very Low
- Substantive, effective, tested and verifiable internal controls / mitigating actions in place
- Previous experience at this and other similar organisations makes this outcome highly unlikely to occur

2 - Low
- Effective internal controls / mitigating actions in place
- Previous experience discounts this risk as being likely to occur but other organisations have experienced problems in this area

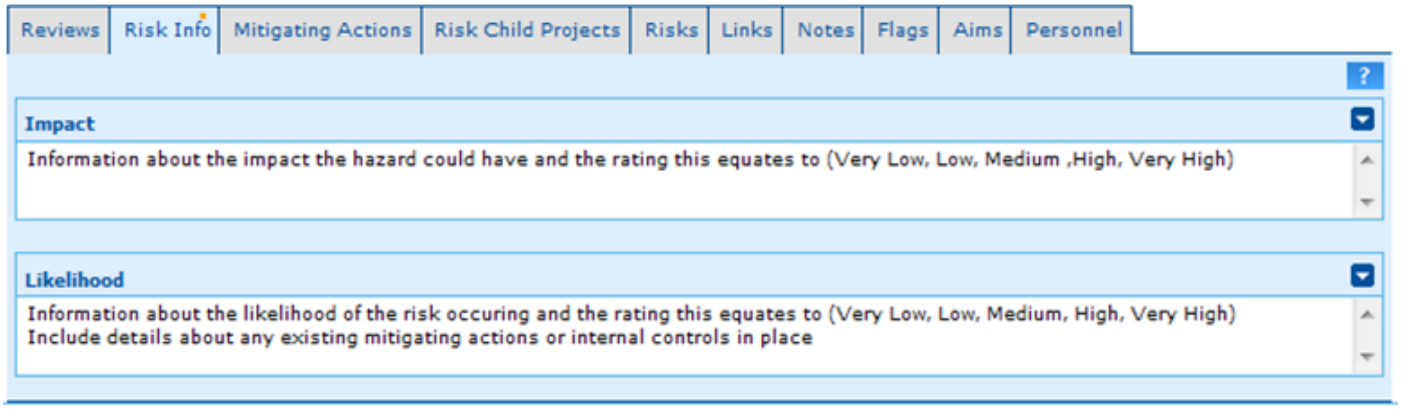
3 - Medium
- Some internal controls / mitigating actions in place, but in need of review / improvement
- Existing controls generally work but there have been occasions when they have failed and problems have arisen
- The Council has in the past experienced problems in this area but not in the last 12 months

4 - High
- Poor or ineffective internal controls / mitigating actions in place, or existing controls are generally ignored
- The Council has experienced problems in this area within the last 12 months

5 - Very High
- No internal controls / mitigating actions in place
- The Council is experiencing problems in this area or expects to within the next 12 months

Risk Information

Information about how the risk was scored is entered into the fields in the Risk Info tab:



Mitigating Actions

There are four ways of managing identified risks:

Accept **Transfer** **Reduce** **Eliminate**

The Risk Assessment form and SPAR give the opportunity to identify mitigating actions we can take to reduce or remove (eliminate) the likelihood of the risk, or its impact. The law requires us to do everything 'reasonably practicable' to protect people from harm.

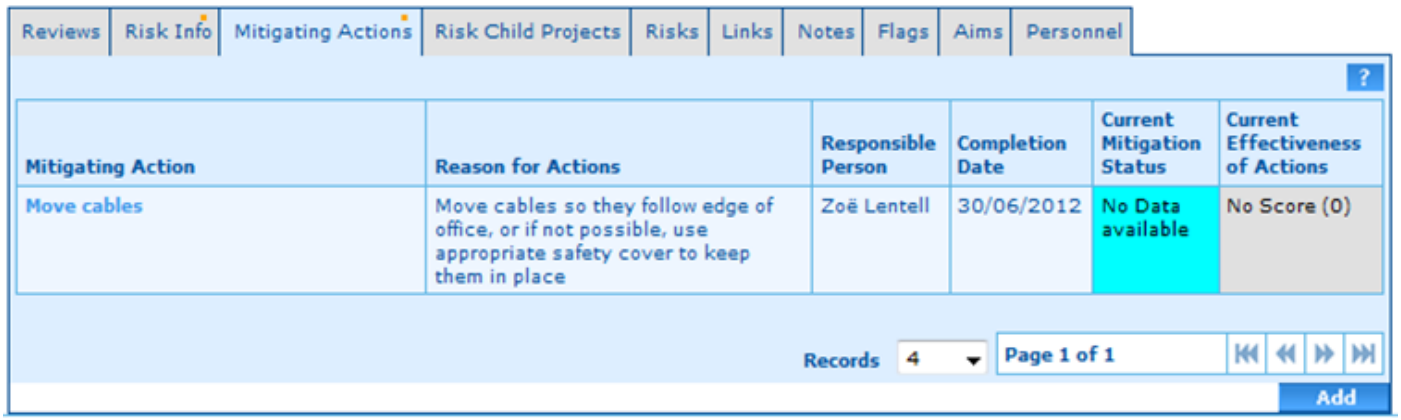
Compare what we are already doing and existing controls in place with good practice and identify any potential for improvement. Consider:

- Can we get rid of the hazard altogether?
- If not, how can we control the risks so that harm is unlikely?

When controlling risks, apply the principles below, if possible in the following order:

- try a less risky option (eg switch to using a less hazardous chemical);
- prevent access to the hazard (eg by guarding);
- organise work to reduce exposure to the hazard (eg put barriers between pedestrians and traffic);
- issue personal protective equipment (eg clothing, footwear, goggles etc); and
- provide welfare facilities (eg first aid and washing facilities for removal of contamination).

It is important that Service Managers involve staff in Risk Assessments to check that suggested mitigating actions will work in practice and won't introduce any new hazards.



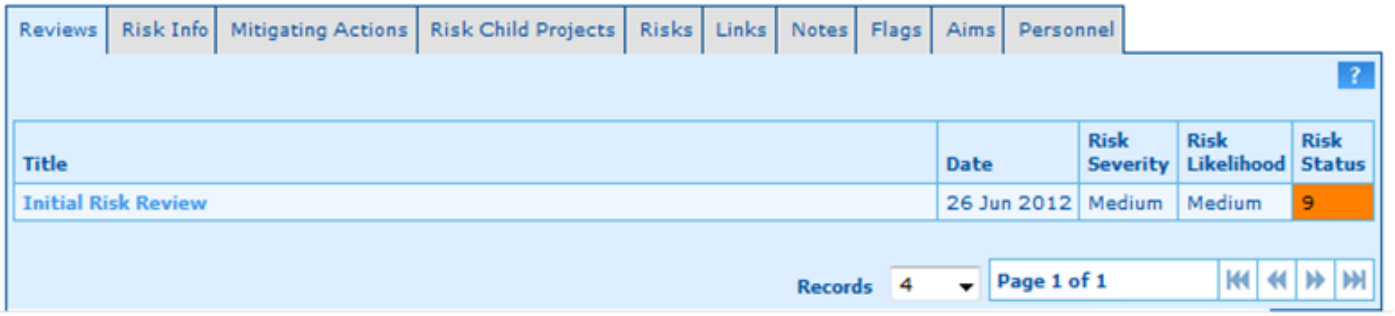
If the cost of reducing a risk or eliminating it completely is too high or impractical to the service, then you may accept the risk at its current level. Please make a note in the Risk Information section to that effect (and why) and show on the "Risk Improvement Potential" drop down box that the risk improvement is Low – unlikely.

Risk Assessment Reviews

Risk Assessments should be reviewed formally every year, high scoring risks every 3 months, , to make sure we are still improving, or at least not sliding back. Individual high scoring risks, as well as projects and partnerships, should be reviewed more frequently. The following should be considered when reviewing Risk Assessments: Have there been any changes? Are there improvements we still need to make? Have workers spotted a problem? Are there any lessons learnt from accidents or near misses?

During the year, if there is a significant change, risk assessments should be amended as necessary. If possible, it is best to think about the risk assessment when planning any change.

The Review tab will have annual review dates added, so that SPAR.net will email service managers a reminder about a month before the review is due to be completed:



You should amend your risk scores using a Risk Review to show the progress from your initial risk status to your current risk status. Risk Reviews also give you the opportunity to assess the effectiveness of your mitigating actions.

SPAR.net Alerts

Once SPAR.net has been updated with the relevant information, an email alert will be sent to:

1) the Group Manager to “agree” the information through “sign-off”; and then to
2) the Risk Advisor for information – this will be Mick Lowe for Health and Safety risks and Group Manager for Performance, Governance and Data Security for corporate risks.

This page is intentionally left blank

Internal Audit

Audit Progress Report 2019-20

Mid Devon District Council
Audit Committee

March 2020

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

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

The Internal Audit plan for 2019/20 was presented and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2019/20 and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

Robert Hutchins

Contents

Head of Devon Audit Partnership

Opinion Statement

Overall, based on work performed during 2019/20 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Substantial Assurance" on the adequacy and effectiveness of the Authority's internal control framework.

This opinion statement will support Members in their consideration for signing the Annual Governance Statement.

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report.
All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified.
Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors and Senior Management have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

Executive Summary of Audit Results

Core Audits of the Council's key financial controls are near completion with creditors and payroll coming out at 'good standard' with improvements in control and in particular resilience in the payroll arrangements in the last twelve months. Again, this is to the credit of staff involved. The focus this year has, as agreed in the audit plan, been on review and documentation of the control environment with focused testing on 'hotspot' areas rather than wide ranging compliance testing.

We have noted that recommendations previously made in both the creditors and trade waste income audits for reconciliation and non-ordering respectively have still to be implemented.

We are completing of the finishing pieces to the housing rents review and clearing queries on the council tax and NNDR audit, no material issues have been identified to date.

Risk Based Audits make up the remainder of the work for the final part of the year. Opinions for the current period are included in appendix 2 to this report.

Findings have generally found a good level of control and opportunity value for improvement in achievement of objectives.

Of particular note are arrangements regarding contract management where improvements continue to be made from where we observed 'improvements required' two years ago. This is a significant area and whilst assurance seen is good, there are many areas of the Council where contract arrangements exist that have not been subject of focus within these reviews. In the sector generally '3rd Party Risk' is considered high and additional work is planned in the wider context next year particularly where the Council does not yet have a 3rd party risk strategy and policy.

Our reviews, in general terms, provide assurance of a sound internal control framework that is generally operating as required.

Other Work

- Audit Committee received guidance on counter fraud management in January and are to identify risk areas for review.

Tender documents have been verified as usual.

Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

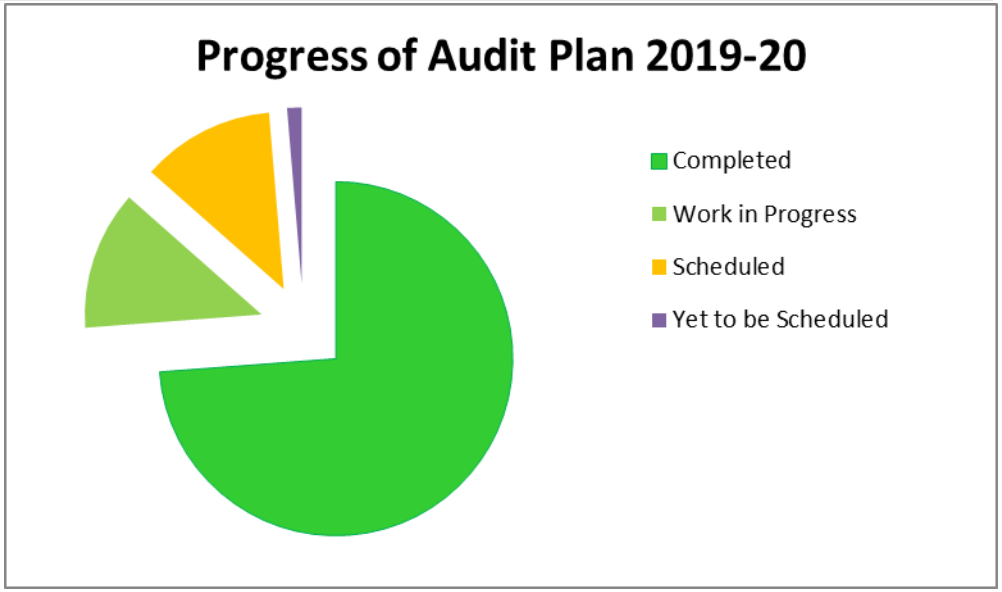
We have been working with the Authority's Group Managers to consider the counter fraud arrangements. This has lead to training for the audit Committee members and identification of further training and assessment opportunities to be pursued by the Council

Audit Coverage and Performance Against Plan

Performance against plan shows work has gained pace though there is still some work to complete. Several audits are near completion now and will be finalised before year end. We have retaine resource from additional staff covering some specialist areas (including ICT) over the next 8 weeks. We continue with the view that the larger proportion of the work to be completed before year end though we have agreed with client that a small number of audits will be rolled forwards into April and completed alongside the work plan for next year. Work on the core financial systems is progressing the to fit with External Audit requirements.

The pie charts right shows the progress of audit against plan. The work completed in this period is primarily risk based work with some core key financial systems being commenced now.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in December 2019, along with our assurance opinion. Where a "high standard" or "good standard" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvements required" has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.



Key performance indicators on progress against audit recommendations reveals that the Council continues to make progress though there remain several recommendations outstanding from prior year audits. See appendix 2. We have been working with the Council to improve procedures to ensure that these are monitored more effectively such that they are brought to a close more quickly.

Fraud Prevention and Detection

There has been one incident identified in this period relating to misstatement of personal status in Housing Options – Homelessness. We are currently investigating the concerns.

Housing Services has requested Fraud Detection training as part of hteir engagement with the local Housing Tenancy Forum. Our Counter Fraud service will be able to support this need

Customer Satisfaction – satisfaction returns specific to MDDC have yet to be received this year though in general for DAP, survey returns score 99% satisfaction year to date.

Appendix 1 – Summary of audit reports and findings for 2019/20

Risk Assessment Key
Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level
ANA - Audit Needs Assessment risk level as agreed with Client Senior Management
Client Request – additional audit at request of Client Senior Management; no risk assessment information available

Direction of Travel Assurance Key
Green – action plan agreed with client for delivery over an appropriate timescale;
Amber – agreement of action plan delayed or we are aware progress is hindered;
Red – action plan not agreed or we are aware progress on key risks is not being made.
* report recently issued, assurance progress is of managers feedback at debrief meeting.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Core - Key Financial Systems						
Creditors Risk / ANA: ANA –High Spar – no risk identified	Good Standard Status: Final	Overall, the controls in place to ensure that the correct supplier is paid the correct amount within payment terms, operates to a good standard, however, there is evidence of some non-order purchasing with the risk of unauthorised expenditure and reduced budgetary control. This coupled with some delay in GRN'ing orders in a timely manner has an impact on creditor late payment performance. The performance target relating to paying invoices within payment terms is 99%; this hasn't been achieved since May 2018, and there has been a slight downward trend, although it is not substantial. There is opportunity to improve the control environment of non-order payments (e.g. refunds). ICT have produced an on-line pro-forma form with the added control of code checking i.e. the appropriate manager is authorising. It is understood that testing is required from Finance before the on-line pro-forma can be used	1	2	3	
Payroll Risk / ANA: ANA –High Spar 4x1=4 Low	Good Standard Status: Draft	There is a sound control framework for the payroll process. Business resilience has been improved since our previous review, as the Senior HRBP now processes the payroll run every couple of months which gives assurance that there is sufficient business continuity cover in the absence of the Payroll Manager to pay employees on time. There is also now a Payroll Assistant in post who supports the administrative tasks associated with payroll. We feel that further elements of the payroll task should pass to the Payroll Assistant to allow the Payroll manager to undertake the control check on calculation. This will allow improved segregation of duty and control check with better utilisation of the Payroll Managers expertise.	0	4	1	
Treasury Management Risk / ANA: ANA –Medium Spar 4x2=8 Low	High Standard Status: Final	The Treasury Management function has been found to be well managed and monitored. Whilst it is evident that the security of the Council's financial assets is paramount, the rate of return is also monitored to obtain the best value for the Council. Investments were sample tested and found to be carried out in line with the Treasury Management Strategy and policy.	0	0	0	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Trade Waste – Income Collection Spar 4x2=8 Low	Good Standard Status: Draft	Controls in place for monitoring of trade waste expenditure are effective and there are regular reconciliations with DCC charges to ensure accuracy. The expected income for trade waste has exceeded the budget level of expectation to date. Customers' collections and accounts have recently been reviewed by the service to ensure that all customers are being accurately charged and in line with the service they are receiving. These two controls are considered to provide good overview indication at materiality level that income is being effectively managed. We have identified some control weaknesses where sample testing found not all contracts with customers were retained and data transfer reconciliations are not completed with eFinancials at time of processing. This increases the risk of reduced income recovery, (the recommendation remains outstanding from the previous report) and reputational risk though the duty of care agreement.	1	3	3	
Risk Based Reviews						
Contract Management - Vehicle and Fleet Risk / ANA: ANA – Low Spar 3x3=9 Low	Good Standard Status: Final	There is a robust framework in place to ensure performance management of the vehicle supply and maintenance contract. At this early stage of the contract, evidence obtained during the course of our review, found a good level of assurance that performance of the contractor (SFS) is being monitored through a number of measures. Procedures are in place to ensure that the service is compliant with the conditions of their Operators Licence, and a separate independent audit is carried out annually by an external specialist as best practice. There is currently one outstanding recommendation that has not been addressed, and this relates to the review of the Drivers Handbook. A recent upgrade of the fuel system software has improved back-office system access, and enhanced reporting capability relating to fuel usage. Evidence relating to the quotes obtained to ensure fuel is purchased at the best price is retained to demonstrate value for money has been achieved.	1	1	0	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Contracts Register Risk / ANA: ANA – High Spar Spar	Good Standard Status: Final	Overall, there is a high standard of assurance that the Council's contract register is accurate, up to date and published in line with the Local Government Transparency Code. The Corporate Procurement Manager has introduced a number of compliance procedures to maintain the integrity of information held on register, which has increased the assurance that information is accurate. All relevant information relating to contracts over £5k that have been awarded by the Council is published on the Council's website, with in line with Procurement Regulations and the Local Government Transparency Code. There is an opportunity to increase assurance for supplier spend analysis using automated reports, rather than the current system of manual review of spending, and we understand that this is being investigated.	0	0	1	
Counter Fraud Risk / ANA: ANA – Low Spar 4x2=8 Low	Opportunity Status: Draft	There are recognised policies and procedures within the Council for the management of fraud. Our review confirmed that management are clear on their understanding of the requirements and expected action. There are few recognised incidents of fraud and whilst this can be taken as a level of comfort, all agreed that there is opportunity to improve identification, reporting, prevention and management of potential fraud to improve the assurance that can be taken from the current level of general awareness. This should also lead to an improved consciousness of dealing with any potential incidents that may arise. The Council are keen to engage further support from our counter fraud services.	0	0	9	
Human Resources – Job Evaluation System Risk / ANA: ANA – Low Client Request – new system	Good Standard Status: Final	The main risk with regard to job evaluation is non-compliance of equal pay. The Council has a procedure in place where all job evaluations are ratified by the Pay and Grading Group, this provides consistency in the process and reassurance that posts are scrutinized to achieve equal pay. Since February 2019 the Council has moved from a manual process of evaluating posts to a computerised system. It is considered that the computer system has provided automation and consistency to the job evaluation process and that ratification of posts contributes towards compliance of equal pay. There was found to be some lack of evidence to support the reviews, of particular note the justification or business case required to support he need for an evaluation, though, this was identified in the process and addressed before approval. A monitoring and analysis overview of post scores council wide would provide the Council with reassurance of their compliance with equal pay and provide insight on whether further mitigation for the risk is required.	0	3	3	

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Human Resources – Appraisals and Training Risk / ANA: ANA – Low Client Request – new system	Opportunity Status: Final	The implementation plan for the Evolve project is in place, and the initial part of the process for introducing the competency framework, which is a pivotal aspect of the new appraisals process, has been approved by Leadership Team. This will soon go to the Group Managers Team to also review. We noted that some of the deadlines in the Evolve timeline monitoring process that have not been met. The GM for HR has advised that this will be reviewed and updated imminently. One of the main issues identified with the current appraisal system has been the non-return of appraisal forms to the document storage area. The appraisals project presents the opportunity to engage with managers to identify the issues that have led to the poor rate of return. It is not yet been agreed how the new process will enable L & D to monitor the return of the forms and how the relevant information from the forms will be gathered and analysed for training needs. The successful outcome of the new appraisals process will rely on continued engagement with managers and staff and by ensuring that there is capacity to deliver tasks set out in the plan within the timelines. The key elements of the plan to introduce the new appraisal and training process are in place, although our observations have identified further improvement opportunities.	0	0	7	
VAT Partial Exemption Follow-up Review Risk / ANA: ANA – medium Spar 4x3=8 Medium (orange)	High Standard Status: Final	Recommendations from our previous review where the assurance opinion was improvements required have all been implemented and the control framework is now considered robust. It is recognised though that the partial exemption status is very close to the limit of 5%. This is being carefully monitored by Finance.	0	0	0	
The following audits have been completed and draft reports are being prepared for: - ICT Core - Commercial Rents - Council Tax and NNDR - Housing Rents - EVLC Benefits Realisation - Partnership Management No material concerns have been identified with these reviews. Opinions will be provided in the June 2020 progress/annual report. The remaining plan work is scheduled for mainly for completion by the year end though in agreement with client some have been deferred until April 2020 (Cyber Security and ICT Strategy).						

Appendix 2 – Performance Indicators

Incomplete Audits	Year	Recommendations												Direction of Travel R,A,G	Comments
		High			Medium			Low			Total				
		C	N	O	C	N	O	C	N	O	C	N	O		
Care Services - Alarm Call	2017	1		1	3						4	0	1	R	West Somerset and Taunton Deane merger now complete (to form Somerset West and Taunton) Data Sharing agreement is now near completion.
Development Management S106	2017			2		1	2				0	1	4	R	Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet. ICT have developed an in-house software solution. Currently at end-user testing stage. CIL action plan delayed due to Inspector review of Local Plan. New target date for CIL is 31/03/20
Payroll	2017	3			6		1				9	0	1	A	Call logged with Zellis, awaiting information on how to set up auditing using the auditing report
Insurance	2017				3					1	3	0	1	A	Insurance checks for external contractors. 75% contracts are souced through Framework agreements or SLoAC; compliance insurance is
Procurement	2018			1	5		1				5	0	2	A	Corporate Procurement Strategy outstanding - deadline extended. Monitoring Waivers
Housing Rents	2018	3		1	6						9	0	1	A	Officers now allocating time each week to carry out work to deal with backlog of refunds for accounts in credit. ICT helpdesk request raised for workflow process in respect of movers.
Partnerships - Building Control	2018	2			3	3	2				5	3	2	A	
Creditors	2018				3		1	2		1	5	0	2	A	On-line pro-forma has not yet gone 'live'. End-user testing still needs to be done. User guides for creditors process need to be reviewed and saved in digital format.
Housing Health & Safety	2018	1			6	4	5	1		1	8	4	6	A	
Debtors	2019						3		1	2	0	1	5	A	
Private Sector Housing	2019				2		3	3			5	0	3	A	
Safeguarding	2019	2			3	1					5	1	0	G	3 safeguarding awareness training sessions have been carried out with operatives during Jan 2020. Now need to pick up on those who were unavailable at the time. Will be rolled out by end of March for Carlu close.
Vehicles & Fuel	2015	5			6		1				11	0	1	G	Draft transport policy has now been written & to LT in December
Vehicles & Fuel	2019		1			1					0	2	0	G	
Housing - adaptations	2019		1			6			3		0	10	0	G	
Housing Benefits	2019				2	1					2	1	0	G	
Housing Benefits	2018				1	1		1			2	1	0	G	Re-tendering of disaster recovery contract - due date June 2020
Ctax and NNDR and recovery	2018	1			2		1	3			6	0	1	G	Outstanding S106 invoice escalated to now Legal for debt recovery
Business Continuity Planning	2018					2					0	2	0	G	
Risk Management	2018		6			7			0		0	13	0	G	
Housing Lettings	2019					1					0	1	0	G	
ICT Service Transition	2019	3	1		3	5					6	6	0	G	
Asset Management	2019					1	1		2		0	3	1	G	
Cyber Security and LGA Stocktake	2018	5	2		5	1	1				10	3	1	G	
		26	11	5	59	35	22	10	6	5	95	52	32		

CORE	C = Completed	53%	Not progressing
			Progressing some
SYSTEM	N= Not yet due	29%	overdue
	O= Overdue	18%	On Target

* report just issued

This page is intentionally blank.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

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

This page is intentionally left blank

AUDIT COMMITTEE
24TH MARCH 2020

INTERNAL AUDIT CHARTER & STRATEGY 2020-21

Cabinet Member Councillor B Deed
Responsible Officer Audit Team Manager, David Curnow

Reason for Report: To present the Committee with the Internal Audit Charter and Strategy for effective operation of the internal audit service.

RECOMMENDATIONS:

a) The Committee approves the Internal Audit Charter (Appendix 1).

b) The Committee approves the Internal Audit Strategy (Appendix 2).

Relationship to Corporate Plan: Effective Internal Audit is a fundamental element of being an economic, efficient and effective council and can assist with reducing costs and doing things differently and better.

Financial Implications: Inadequate Internal Audit delivery and coverage would mean that the Internal Audit Manager cannot form an reliable opinion as to the effectiveness of MDDC's internal control environment.

Legal Implications: None arising from this report.

Risk Assessment: Potential failure to comply with the Public Sector Internal Audit Standards (PSIAS). This could result in comment from the external auditors when they complete their annual review of the Council's arrangements.

Equality Impact Assessment: No equality issues identified for this report.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for this financial year is set out in detail in the report attached.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
   - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
   - cover the arrangements for appropriate resourcing;
   - define the role of internal audit in any fraud-related work; and
   - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards. ***No material changes have been made to the Charter or Strategy for the coming year.***
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon, Plymouth, Torbay Torridge & Mid Devon Councils in accordance with the agreed internal audit plan.

Contact for more Information: David Curnow, Audit Team Manager
Circulation of the Report: Cabinet Member and Management Team

This page is intentionally left blank

Appendix 1

MID DEVON DISTRICT COUNCIL

INTERNAL AUDIT CHARTER (March 2020)

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The PSIAS set out the requirements of a 'Board' and of 'Senior Management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and Senior Management is the Council's Leadership Team.

The PSIAS make reference to the role of "Chief Audit Executive". For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

STATUTORY REQUIREMENTS

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

> *5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the Deputy Chief Executive is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

THE PURPOSE AND AIM OF INTERNAL AUDIT

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership (DAP). We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditor's. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Being Independent

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of

the internal audit—

(2) (a) make available such documents and records; and
(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

(3) in this regulation "documents and records" includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Directors
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Deputy Chief Executive 'Section 151 Officer' will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan and resources;
- receiving reports from the Head of Devon Audit Partnership on the section's performance against the plan and other matters;
- approving the Head of Devon Audit Partnership's annual report'
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

RESPONSIBILITIES

The Chief Executive, Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Deputy Chief Executive 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

INTERNAL AUDIT MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:-:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Directors, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

REPORTING

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

RELATIONSHIP WITH THE AUDIT COMMITTEE

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

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 – Audit Committee).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

> "It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

*** Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

CHARTER – NON CONFORMANCE AND REVIEW

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

Devon Audit Partnership

March 2020

Appendix 2

MID DEVON DISTRICT COUNCIL

INTERNAL AUDIT STRATEGY (March 2020)

1 INTRODUCTION

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the Director of Finance is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Audit Executive, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Audit Executive is provided by the Head of Devon Audit Partnership (HoDAP).

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
    - internal audit objectives and outcomes;
    - how the HoDAP will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
    - how Internal Audit's work will identify and address significant local and national issues and risks;
    - how the service will be provided, and
    - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the HoDAP aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The HoDAP will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

(a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
(b) disclose any qualifications to that opinion, together with the reasons for the qualification;
(c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
(d) draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
(e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
(f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an "audit universe". This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council's own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment planning

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

5 PROVISION OF INTERNAL AUDIT

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

Internal Audit Performance Management and Quality Assurance

The PSIAS state that the HoDAP should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

Performance Measures and targets

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

Internal Audit Performance Monitoring Targets.

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is “accurate” and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject are and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

Customer (user) feedback

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit Service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

Internal quality reviews

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

*** Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.40 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter), we also operate from offices at Torridge DC (Bideford), Mid Devon DC (Tiverton) and South Hams/West Devon Councils (Totnes). The Partnership employs a number of specialists in areas such as Computer Audit, Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff includes: -

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 1 x risk management (IRM)
- 10 x AAT qualified
- 7 x ACFS (accredited counter fraud specialists)
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses Pentana MK as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Staff Development and Training

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Devon Audit Partnership

March 2020

devon audit partnership

Internal Audit

Internal Audit Plan 2020-21

Mid Devon District Council
Audit Committee

March 2020

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Leadership Team.

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Director of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage in 2020-21.

In review of the above the Audit Committee are required to approve the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

Contents

Service level plans

This years audit plan has been developed further using the former 4 year cyclic plan as a base for discussions with management and the Leadership Team and considering the Council's risk register and plans. We have aligned the plan with sector risks (see appendix 5). The plan has been extended wider again this year recognising these risks include the following considerations:

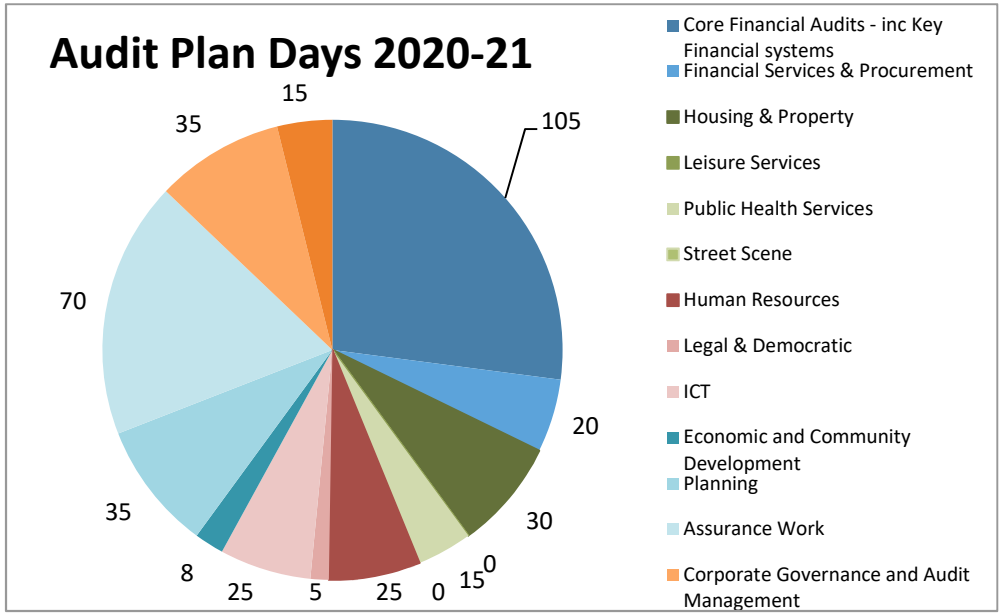
- 'core work' will need to maintain work on what are termed "key financial systems" systems that process the majority of income and expenditure for the Council, and which have a significant impact on the reliability and accuracy of the annual accounts e.g. Payroll, Creditors, Main Accounting System, Housing Benefit etc.
- We continue to streamlined this core work to facilitate review of other risks. This has proved effective in practice where we have been able to add further key risks this year, maintained core audits where generally, sound arrangements are in place for these systems – and balanced this with extending periods on some service are reviews or dropping lower risk areas from the plan.
- We have identified key risks with Directors, risks that currently affect core assurance service delivery with a key focus on:
  - Corporate plan – action planning
  - Climate change - governance
  - safeguarding – corporate responsibility
  - key developments
    - investment, development, digitalisation
  - commercialisation
  - information governance – data protection changes
  - cyber security
  - Partnerships, collaboration and third-party risk
  - transactional integrity

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year remaining at 395 direct days; full details are in the cyclic plan (following page) . It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities.

We have identified some audits (see appendix 6) that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next years audit plan.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.



Challenges and Opportunities					
Transformational Change • delivering more with less • commercialisation • meeting customer needs • alternative service delivery vehicles	**Partnering and Collaboration** • governance arrangements • Public Sector Network (PSN) • information governance • third party assurance	**Commissioning** • flexible contracting, focused on outputs not inputs • flexible payment structures to reflect reduced budgets • performance management	**Information Technology** • infrastructure resilience • information security • desktop availability • cloud computing • channel shift	**Financial & operational constraint** • reduction of control framework • loss of experienced staff • income generation	**Compliance & Regulatory** • key financial systems • housing maintenance • data protection • annual governance arrangements

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a recognised risk for the Council and assist in the protection of public funds and accountability. Our Counter Fraud Service is supporting the Authority's review of counter fraud arrangements, investigations into alleged concerns and can undertake additional services as required. The authority is encouraged to agree a separate plan of work for counter fraud work. Our Counter Fraud service will oversee investigations, instances of potential fraud and irregularities referred to it by managers, and can also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally", and the publication "Protecting the English Public Purse 2016". Our services will liaise with the Council to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the Home Office 'UK Anti-Corruption Plan', will further inform the direction of counter-fraud arrangements going forwards.

Corporate Governance

An element of our work is classified as "Audit Governance" – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Leadership and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue in the coming year;
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council's external auditors (Grant Thornton), Audit West and Audit South West (Internal Audit for NHS).

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
CORE FINANCIAL ASSURANCE AUDITS (- Annual)							
Council Tax and NNDR	2019/20	15	10	12	10	47	Compliance Review (inc. follow-up)
Income and Cash Collection (inc Debtors)	2019/20	10	10	10	10	40	Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to creditors) and data quality control.
Recovery	2019/20	10	10	10	10	40	Systems documentation and consideration of scope of operation as corporate recovery team.
Main Accounting System	2019/20	10	10	10	15	45	Compliance review (inc. follow-up) and consideration of implications of team staff changes. Review of how MTFP and Business Plans are built into budget setting and monitoring process.
Housing Benefits	2019/20	10	10	15	10	45	Compliance review (inc. follow-up) Customer On-line Access (New System)
Creditors	2019/20	10	10	10	10	40	Compliance review (inc. follow-up) and consideration of implications of team structure changes (linked to income) and data quality control.
Housing Rents (including rent arrears)	2019/20	10	15	10	10	45	Compliance Review (inc. follow-up) Progress on systems deployment to Cloud Based hoster service.
Treasury and Cashflow Management	2019/20	5	5	5	5	20	Compliance review (inc. follow-up) and consideration of staff changes.
Payroll	2019/20	10	10	10	15	45	Compliance review (inc.follow-up)
Car Parking Income} alternate years	2018/19	10		10		20	Focus on fault resolution and contract performance management controls.
Trade Waste }	2019/20		10		10	20	
ICT Core Audit	2019/20	5	5	5	3	18	Focus on BCP and resilience.
TOTAL CORE ASSURANCE AUDITS		**105**	**105**	**107**	**108**	**425**	
RISK BASED AUDITS (Risk Based- mainly 4-yearly)							
Human Resources							
Time Recording System	2014/15					0	Trusted Advisor support if there is to be systems change - meet from contingency
Sickness and Other Time Off	2019/20	5			8	13	Follow-up of implementation of new policy - Street Scene
Skills and Training		3				3	Trusted Advisor support on skills database.
Recruitment, Selection, succession planning	2018/19			5		5	
Appraisals and Training	2019/20	7				7	Review how it is working, are they being completed, are people engaging in the new competency process. Evolve Project. - sharing of knowledge Q3.

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL		Plan Comments
Travel and Subsistence (incl Pool cars)	2017/18				10	10		
Job Evaluation framework	2019/20				6	6		
Corporate Health & Safety incl Homeworking/Loneworkin	2015/16		10			10		Full systems review early 2021-22 - new staff.
Off Payroll working - Use of Consultants (Payroll)	2017/18			5		5	*1	
Workplace Stress Management			6			6		
Human Resources Total		15	16	10	24	65		

Financial Services & Procurement

VAT	2018/19			10		10		
Insurance	2017/18		10			10		
Asset management inc Leasing (Property/Vehicles/Equip	2019/20				10	10		Link to Corporate Plan, Capital Programme and Climate Change
Procurement (2-yearly)	2018/19	10		15		25	*1	Consideration of key contracts, follow-up of the procurement strategy with focus on themes of local engagement, climate change and social value.
Contract Management - Contract Register & Contracts (2-yearly)	2019/20	5	15		5	25		Third Party Risk - Full risk based review (link to Collaborative and Partner Working audit)
Commercial Rents	2019/20				5	5		
Funding Cuts Revenue and Capital						0		to be considered as part of the Main Accounting audit - MTFS
Transformation - Benefits Realisation		5	5	5	5	20		Project to be selected
Financial Services & Procurement Total		20	30	30	25	105		

ICT

Telephones - Fixed and Mobile	2014/15					0		Not consider to be a significant risk
Cyber Security (inc Information Security)	2019/20	10		10	10	30		
ICT systems (ITIL Methodology)	2019/20	15	15	10	15	55		New Business Transformation Strategy - including change management, training and mobilisation.
New Projects		Contingency				0	*2	Possible corporate CRM system upgrade
Gazateer Management	2014/15					0		Not consider to be a significant risk
ICT Total		25	15	20	25	85		

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL		Plan Comments
Planning								
Building Control (incl income and all other areas)	2018/19	5				5		Follow-up plus consideration of action plan from the Hacket Report.
Development Control - (incl S106)	2019/20	10			5	15	*1	Stage 2 -Compliance review of new system - confirm systems suitability for management of key projects - Culm Garden
- Monitoring of developments		10						Statutory Returns and the Housing Delivery Test (link to GESP Partners - joint work)
Listed Buildings and Conservation Areas	2015/16		10			10		Deferred from 2019-20
Forward Planning	2013/14	10				10		Progress of Local Plan lessons learnt and Monitoring Process of the Plan
Projects - eg Culm Garden Village			5	5		10		linked to Development Control
Enforcement	2017/18		10			10		
Planning Total		35	25	5	5	60		
Public Health Services								
Environmental Health	2017/18		15			15		
Licensing Services	2016/17	5				5		Trusted Advisor review of new system
Private Sector Housing	2019/20				10	10		
Emergency Planning (also Business Continuity Planning)	2015/16	10		10		20		
Public Health Services Total		15	15	10	10	50		
Leisure (one centre per year)								
Exe Valley Leisure Centre (incl income and all other area	2019/20		3	follow-up	4	7		
Culm Valley Sports Centre (incl income and all other area	2018/19		3	10	3	16		
Lords Meadow Leisure Centre (incl income and all other	2017/18		4		3	7		Compliance Review
Leisure Total		0	10	10	10	30		
Legal & Democratic Services								
Members Allowances	2019/20				5	5		
Gifts & Hospitality/Register of Interests	2016/17	5				5		Adequacy of process and forms to manage risk - new members.
Electoral Registration & Elections	2017/18			10		10		
Local Land Charges	2016/17			10		10		

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL	Plan Comments
Legal Services	2015/16		10			10	Records Management
Legal & Democratic Total		5	10	20	5	40	
Street Scene							
Refuse & Recycling (2 yearly)	2018/19		10	10		20	Govt looking to make garden waste non-chargeable service collection round efficiency - 3 weeks
Vehicles & Fuel (including inventory & maintenance)	2019/20				10	10	
Business Continuity Planning	2019/20					0	
District Officers	2017/18		10			10	
Street Cleansing & Public Cleaning			5			5	
Grounds Maintenance (Parks & Open Spaces)	2018/19			10		10	
Street Scene Total		0	25	20	10	45	
Customer Services							
Customer Care/Complaints	2017/18		10			10	
Community Engagement & Consultation	2019/20				10	10	
Digitalisation Electronic payments/online forms/social media	2017/18	10			10	20	
Customer Services Total		10	10	0	20	40	
Housing & Property Services							
Care Services (Alarm Income)	2017/18		5			5	
Repairs and Maintenance	2019/20		10		10	20	Alternate Housing or Property
Stores	2016/17	10			8	18	Deferred from 2019-20 (vfm review 10 days)
Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2018/19	10		10		20	Property Services
Cemeteries & Bereavement Services	2016/17			5		5	
Voids Management Arrangements	2016/17		10			10	
Lettings	2019/20				10	10	
Housing Options	2018/19			10		10	
Service Charges		10				10	

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL		Plan Comments
Standby	2016/17			5		5		Not consider to be a significant risk
Data Protection in service / partner contracts						0		part covered under Corporate Information Management and collaborative and Partnership working
Housing & Property Services Total		30	25	30	28	113		
Economic & Community Development								
Grants, subscriptions & donations	2015/16		5			5		
Economic Regeneration	2014/15					0		
Housing Company (3 Rivers)	2019/20	8		10	5	23	*1	Follow-up review, focus on business case and performance monitoring reports. Company development.
Markets	2014/15			10		10		
Economic & Community Development Total		8	5	20	5	38		
RISK BASED AUDITS TOTAL		**163**	**186**	**175**	**167**	**671**		
Corporate Assurance								
Governance - inc Ethics and Cuture	2018/19	10	5	5	10	30		New Mandatory Policy Dec 2019 - embed process
Equality impact assessments	2018/19			5		5		
Safeguarding	2019/20	5	5	5	10	25		Focus Area - identificationand reporting of concerns - Housing Tennant Services and Housing Repairs
Corporate Information Management - Information Assets ,Data Protection (2-yearly)	2018/19	10		10		20		Progress of Corporate information Management actions from 2018 Data Protection Act - staff compliance and management of data sharing agreements
Data Quality						0		Theme to key audit areas - focus on creditors masterfile
Freedom of Information - Subject Access Requests - EIR	2019/20				10	10		
Corporate Plan		10				10		Establishment of actions, links to business plans and KPIs
Business Continuity - Emergency Planning & Disaster recovery	2018/19		5		10	15		
Collborative / Partnership Working	2019/20	5		5		10	*1	link to Contract Management
Political change - Brexit						0		The Auditority considers this a low level risk where it mainly has an advisory role.

Audit Area	Year Last Audited	Days 2020/21	Days 2021/22	Days 2022/23	Days 2023/24	TOTAL		Plan Comments
Performance Management			10			10		2021 Process and evidence base review of new indicators
Risk Management - Spar/Data Quality	2018/19	5		8		13		Training GMs - risk description and mitigation recording. Planning Service workshop
Climate Change - Environmental impacts		15	10	10	10	45		Strategic review of governance arrangements and alignment and transition plans
Audit Follow-up (key reviews from last year)	2019/20	10	10	10	10	40	*1	
Corporate Assurance		**70**	**45**	**58**	**60**	**233**		
CORPORATE GOVERNANCE								
Audit Governance		35	35	35	35	140		
Fraud/Irregularity and prevention		10	10	10	10	40		
Consultancy/Advice/Contingency		15	15	10	15	55	*2	
Other Work Total		**60**	**60**	**55**	**60**	**55**		
Surplus / (Shortfall) in resources		-3	-1	0	0			

SUMMARY				
Available Audit Days	**343**	**343**	**343**	**343**
Management	**52**	**52**	**52**	**52**
Core Systems	105	105	107	108
Risk Based Audit	163	186	175	167
Assurance Work	70	45	58	60
Corporate Governance	60	60	55	60
TOTAL	398	396	395	395

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: "A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance".

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must "establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation's goals". When completing these plans, the Chief Audit Executive should take account of the organisation's risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation's business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.

We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

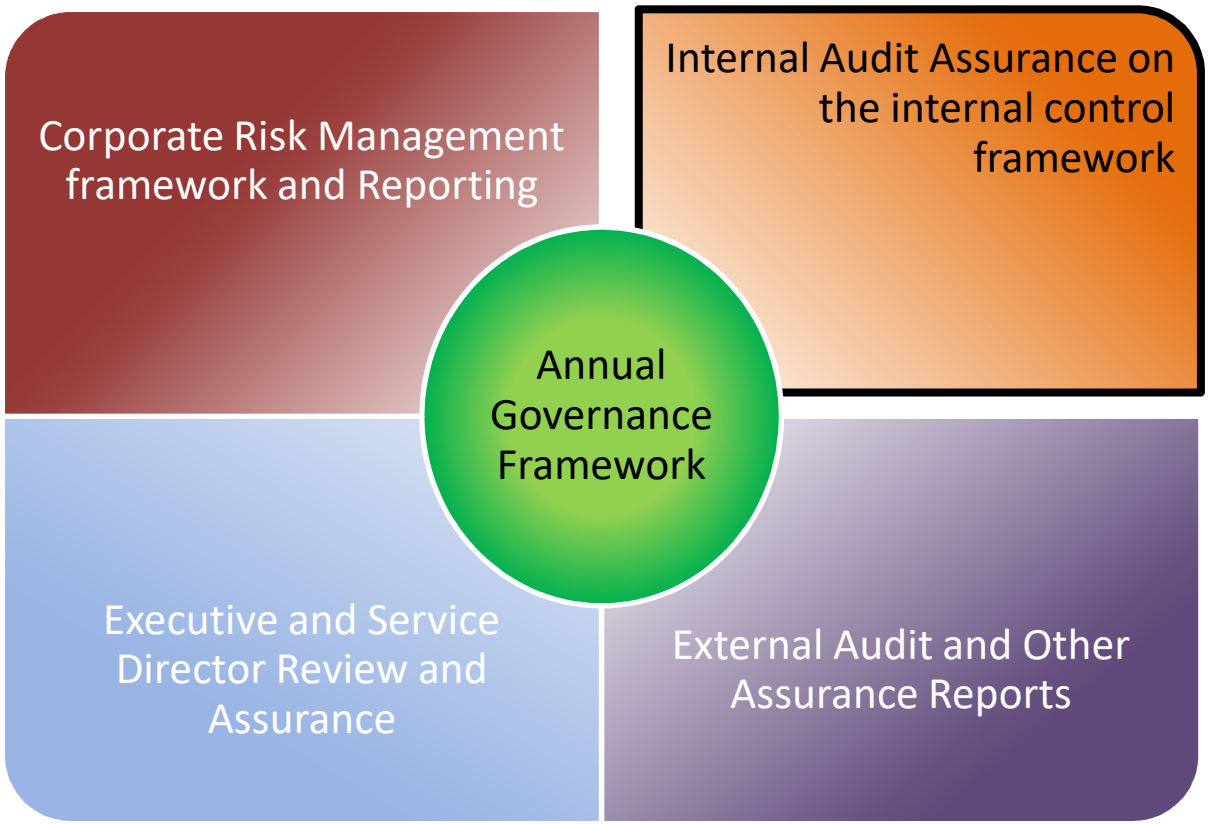
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and the Mayor;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit
  - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



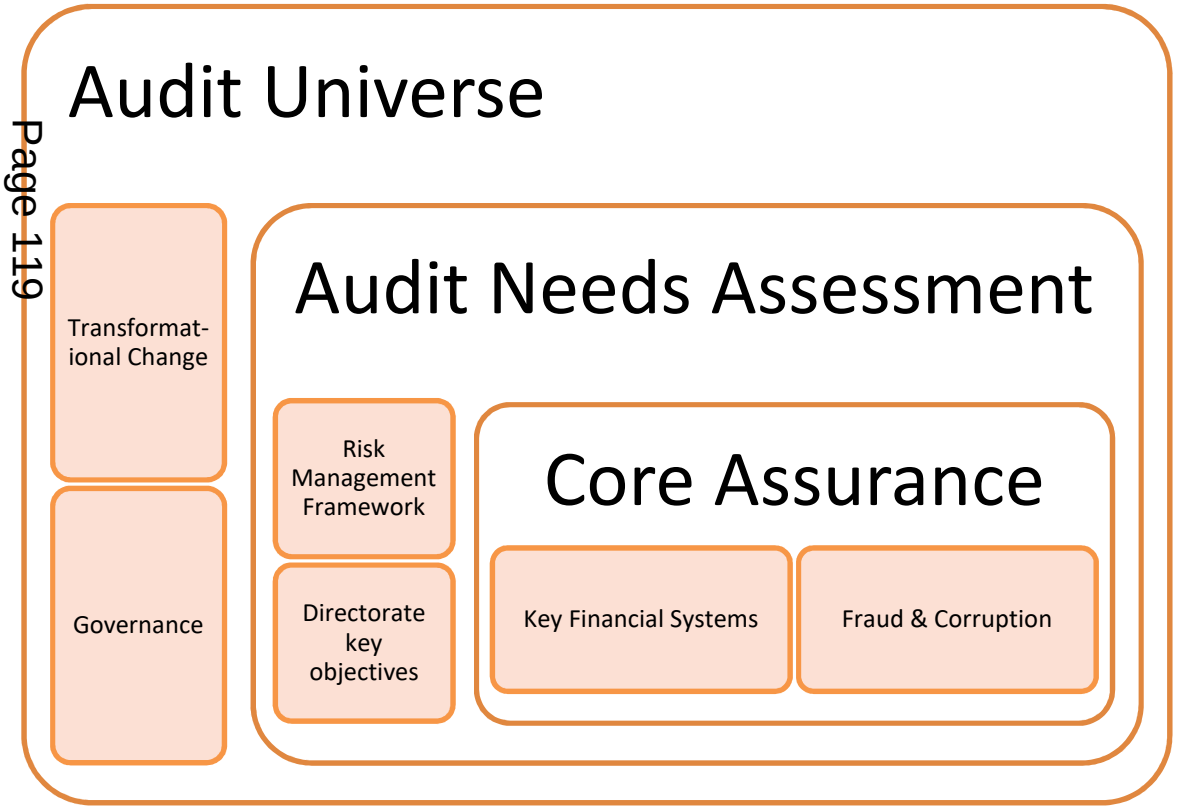
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the "Audit Universe" using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

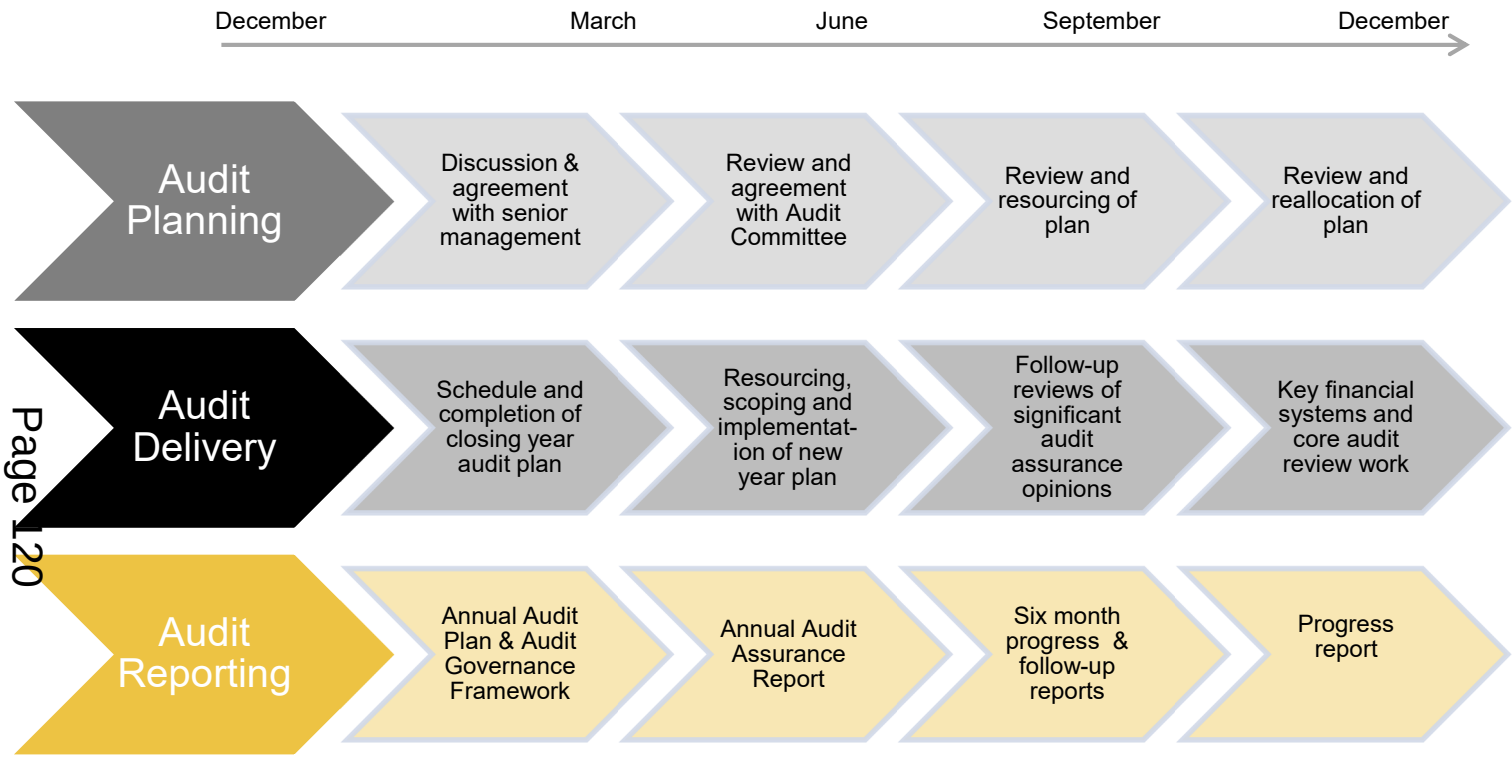
The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

- Consideration of risks identified in the Authority's strategic and operational risk registers
- Review and update of the audit universe
- Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives
- Taking into account results of previous internal audit reviews
- Taking into account Internal Audit's knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council's delivery plans
- Requirements to provide a "collaborative audit" approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Robert Hutchins
Head of Audit Partnership
T 01392 383000
M 07814681196
E robert.hutchins@devonaudit.gov.uk

Nicky Skeggs
Auditor
T 01884 234237
E nskeggs@middevon.gov.uk

Susie Kingdom
Auditor
T 01884 234236
E skingdom@middevon.gov.uk

David Curnow
Deputy Head of Audit Partnership
T 01392 383000
M 07794201137
E david.curnow@devonaudit.gov.uk

Date	Activity
Dec / Jan 2020	Directorate planning meetings
March 2020	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr 2020	Annual Performance reports written
May 2020	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year's audit work commences
Sept 2020	Follow-up and progress reports presented to Audit Committee
Dec 2020	Six month progress reports presented to Audit Committee
	2021 Internal Audit Plan preparation commences

Appendix 5 Sector Risk Model

Source Institute of Internal Auditors – Risk in Focus 2020

Top ten risks seen in audit plans

2018	2019	2020
1. GDPR and the data protection challenge	1. Cybersecurity: IT governance & third parties	1. Cybersecurity & data privacy: rising expectations of internal audit
2. Cybersecurity: a path to maturity	2. Data protection & strategies in a post-GDPR world	2. The increasing regulatory burden
3. Regulatory complexity and uncertainty	3. Digitalisation, automation & AI: technology adoption risks	3. Digitalisation & business model disruption
4. Pace of innovation	4. Sustainability: the environment & social ethics	4. Looking beyond third parties
5. Political uncertainty: Brexit and other unknowns	5. Anti-bribery & anti-corruption compliance	5. Business resilience, brand value & reputation
6. Vendor risk and third party assurance	6. Communication risk: protecting brand & reputation	6. Financial risks: from low returns to rising debt
7. The culture conundrum	7. Workplace culture: discrimination & staff inequality	7. Geopolitical instability & the macroeconomy
8. Workforces: planning for the future	8. A new era of trade: protectionism & sanctions	8. Human capital: the organisation of the future
9. Evolving the internal audit function	9. Risk governance & controls: adapting to change	9. Governance, ethics & culture: the exemplary organisation
	10. Auditing the right risks: taking a genuinely risk-based approach	10. Climate change: risk vs opportunity

Appendix 6 – Unscheduled Audits Priority Work

Audits identified as priority where resources do not provide for coverage in the current years audit plan

We have identified some audits below that through review present as priority for the year yet do not fit within planned days. As this stands the Authority can choose to add additional days and cover this work, include them in pending work to be prioritised within year plan changes or scheduled in next years audit plan.

- Legal Services Records Management – this is also considered to be a corporate issue (10 days)
- Work Place Stress Management (6 days)
- Leisure Services operational compliance reviews (Payroll, income and security) (10days)
- Data sharing arrangements in housing services collaborative arrangements (5 days)
- Listed Buildings – deferred from 2019/20 to 2021 (10 days)
- Refuse and recycling – deferred to 2021-22 (10 days)

This page is intentionally blank.

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

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

This page is intentionally left blank

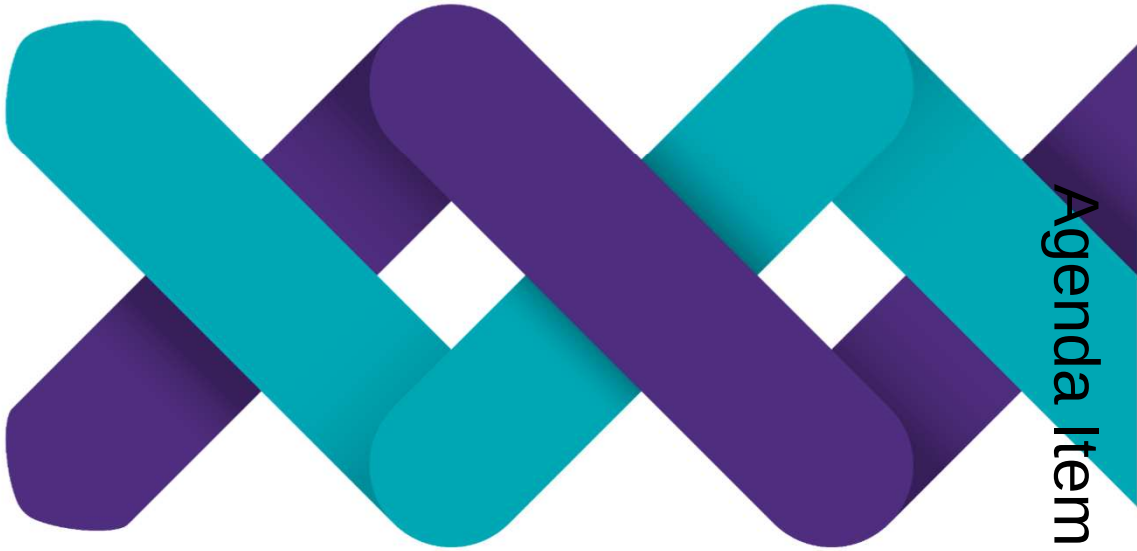
Grant Thornton

An instinct for growth™

Audit Progress Report and Sector Update

Mid Devon District Council
Year ending 31 March 2020

24 March 2020



Contents

Introduction

Julie Masci

Engagement Lead

T 02920 347 506
M 07730 677623
E julie.masci@uk.gt.com

Andrew Davies

Engagement Manager

T 0117 305 7844
M 07747 006 786
E andrew.davies@uk.gt.com

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications www.grantthornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2020

Financial Statements Audit

We began our planning for the 2019/20 audit in December 2019, and at the time of drafting this report we are finalising our interim audit. Our interim fieldwork includes:

- updated review of the Council's control environment;
- updated understanding of financial systems;
- review of Internal Audit reports on core financial systems;
- early work on emerging accounting issues; and
- early substantive testing, and
- early discussions on the VFM risks identified in our Audit Plan.

We will update members verbally at the Audit Committee with the results of this work.

We issued a detailed audit plan in January 2020, setting out our proposed approach to the audit of the Council's 2019/20 financial statements.

We will report the results of our work in the Audit Findings Report. Our current plans are to report this to the July 2020 audit committee.

We have recently met with the Council Chief Executive, Section 151 officer and Council Leader to receive an updated position on 3 Rivers Development Ltd in order to finalise our timetable for delivery of the final audit opinion on the accounts of the Council and its Group. We understand that further consideration is to be given to the current arrangements at a Cabinet meeting in late April and we will keep our timetable under review in light of any future decisions reached.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach was included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the agreed deadline.

The NAO has consulted on a new Code of Audit Practice and published a draft version. Subject to Parliamentary approval the new Code will come into force no later than 1 April 2020 and includes significant changes to the auditor's Value for Money work.

Progress at March 2020 (cont.)

Other areas

Meetings

We have held a number of meetings with Finance Officers since the last Audit Committee and continue to be in discussions regarding emerging developments (VFM and Accounting) to ensure the audit process is smooth and effective.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which will help to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2019/20 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2019/20.We have appended the updated fee letter seeking additional fees as a result of the increased regulatory focus facing all audit suppliers.	April 2019	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements. This includes the findings of our value for money initial risk assessment.	January 2020	Complete
Interim Audit Findings We will report to you the findings from our interim audit in our Audit Progress Report.	March 2020	We will verbally update members at committee on the findings of our interim work
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2020	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2020	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2020	Not yet due

Sector Update

Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider LG and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

Brydon Review – the quality & effectiveness of audit

The Brydon review is an independent review, led by Sir Donald Brydon, which has looked at the quality and effectiveness of audit, seeking to make proposals that will improve the UK audit 'product'. The review has examined the nature and scope of audit from a user perspective and seeks to clarify and potentially close the 'expectation gap' (ie what stakeholders and society expect from audit compared to what is delivers today).

A full list of Sir Donald's recommendations can be found online, and a brief summary is provided below:

- Redefinition of audit and its purpose
- Creation of a corporate auditing profession, governed by principles
- Introduction of suspicion into the qualities of auditing
- Extension of the concept of auditing to areas beyond financial statements
- Mechanisms to encourage greater engagement of shareholders with audit and auditors
- Change in language of the opinion given by auditors
- Introduction of a corporate Audit and Assurance Policy, a Resilience Statement and a Public Interest Statement
- Suggestions to inform the work of BEIS on internal controls and improve clarity on capital maintenance
- Greater clarity around the roles of the Audit Committee
- A package of measures around fraud detection and prevention
- Improved auditor communication and transparency
- Obligations to acknowledge external signals of concern
- Extension of audit to new areas including Alternative Performance Measures
- Increased use of technology

On the auditor's responsibility to detect fraud, Jonathan Riley, Grant Thornton Head of Quality and Reputation, said: "We are pleased to note that Sir Donald Brydon makes it clear that not only is there an expectation gap in relation to the purpose of audit and the detection of fraud but that the current ISAs need revision, and training of corporate auditors need to be enhanced, in order to allow auditors to better detect fraud. This is further reinforced by the new ability to make it easier for users of accounts, not just management, to inform the auditor of concerns relating to financial statements."

"Notwithstanding these proposals, it is neither possible or desirable for an auditor to test in detail every transaction of the company and so materiality will still exist. In addition, a fraud involving collusion and sophistication may still prove extremely hard to detect."

Grant Thornton welcomes the consideration given by Sir Donald on the quality and effectiveness of audit. These recommendations should bring far greater clarity and transparency to the profession and ultimately result in an audit regime that allows auditors to better assess, assure and inform all users of financial accounts.

Crucially, the Government must now consider these recommendations not just in context of earlier inquiries into the profession, but also against the backdrop of global trade and Britain's future role as a pillar of global commerce. The report places new obligations not only on auditors, but also on company directors. Together with other regulations such as the revised Ethical Standard and wider corporate governance requirements, the proposed changes need to strike the right balance and not dent our place on the world's financial stage. Careful explanation particularly of what this means to those fast growing mid-sized public entities seeking capital will be necessary.

The public perception of audit remains weak and failures continue to happen, so we agree that now is the right time to explore what needs to change to ensure that audit is fit for modern day business and meets the public interest. The report should contribute heavily towards this outcome.

Link to the full report and full list of recommendations:

https://www.gov.uk/government/publications/the-quality-and-effectiveness-of-audit-independent-review

MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was "working towards improving its approach to local government oversight and support", Brokenshire promised.

"A robust local audit system is absolutely pivotal to work on oversight, not just because it reinforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy," he said.

"There are potentially far-reaching consequences when audits aren't carried out properly and fail to detect significant problems."

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still "fit for purpose".

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: "Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

"Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure."

He added: "This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole."

Ministry of Housing, Communities & Local Government

In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was "open minded", but believed the Audit Commission was "of its time".

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts "must be of the highest level of transparency and quality", the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, was expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an "expectation gap" between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

1) audit recommendations are effective in helping councils to improve financial management
2) auditors are using their reporting powers appropriately
3) councils are responding to auditors appropriately
4) Financial savings from local audit reforms have been realised
5) There has been an increase in audit providers
6) Auditors are properly responding to questions or objections by local taxpayers
7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny

Redmond Review – Review of local authority financial reporting and external audit

The independent review led by Sir Tony Redmond sought views on the quality of local authority financial reporting and external audit. The consultation ran from 17 September 2019 to 20 December 2019.

Grant Thornton provided a comprehensive submission, We believe that local authority financial reporting and audit is at a crossroads. Recent years have seen major changes. More complex accounting, earlier financial close and lower fees have placed pressure on authorities and auditors alike. The target sign-off date for audited financial statements of 31 July has created a significant peak of workload for auditors. It has made it impossible to retain specialist teams throughout the year. It has also impacted on individual auditors' well-being, making certain roles difficult to recruit to, especially in remote parts of the country.

Meanwhile, the focus on Value for Money, in its true sense, and on protecting the interests of citizens as taxpayers and users of services are in danger of falling by the wayside. The use of a black and white 'conclusion' has encouraged a mechanistic and tick box approach, with auditors more focused on avoiding criticism from the regulator than on producing Value for Money reports that are of value to local people.

In this environment, persuading talented people to remain in the local audit market is difficult. Many of our promising newly qualified staff and Audit Managers have left the firm to pursue careers elsewhere, often outside the public sector, and almost never to pursue public audit at other firms. Grant Thornton is now the only firm which supports qualification through CIPFA. It is no longer clear where the next generation of local auditors will come from.

We believe that now is the time to reframe both local authority financial reporting and local audit. Specifically, we believe that there is a need for:

- More clearly established system leadership for local audit;
- Simplified local authority financial reporting, particularly in the areas of capital accounting and pensions;
- Investing in improving the quality of financial reporting by local bodies;
- A realistic timescale for audit reporting, with opinion sign off by September each year, rather than July;
- An increase in audit fees to appropriate levels that reflect current levels of complexity and regulatory focus;
- A more tailored and proportional approach to local audit regulation, implementing the Kingman recommendations in full;
- Ensuring that Value for Money audit work has a more impactful scope, as part of the current NAO Code of Audit Practice refresh;
- Introducing urgent reforms which help ensure future audit arrangements are sustainable and attractive to future generations of local audit professionals.

We note that Sir Donald Brydon, in his review published this week, has recommended that *"the Audit, Reporting and Governance Authority (ARGA)* (the proposed new regulatory body) *should facilitate the establishment of a corporate auditing profession based on a core set of principles. (This should include but not be limited to) the statutory audit of financial statements*." Recognising the unique nature of public audit, and the special importance of stewardship of public money, we also recommend that a similar profession be established for local audit. This should be overseen by a new public sector regulator.

As the reviews by John Kingman, Sir Donald Brydon, and the CMA have made clear, the market, politicians and the media believe that, in the corporate world, both the transparency of financial reporting and audit quality needs to be improved. Audit fees have fallen too low, and auditors are not perceived to be addressing the key things which matter to stakeholders, including a greater focus on future financial stability. The local audit sector shares many of the challenges facing company audit. All of us in this sector need to be seen to be stepping up to the challenge. This Review presents a unique opportunity to change course, and to help secure the future of local audit, along with meaningful financial reporting.

."

National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO consulted on potential changes to the Code in two stages:

Stage 1 involved engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO stated that they considered carefully the views of respondents in respect of the points drawn out from the Issues paper and this informed the development of the draft Code. A summary of the responses received to the questions set out in the Issues paper can be found below.

Local audit in England Code of Audit Practice – Consultation Response (pdf – 256KB)

Stage 2 of the consultation involved consulting on the draft text of the new Code. To support stage 2, the NAO published a consultation document, which highlighted the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. The draft Code incudes three specific criteria that auditors must consider:

a) Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;

b) Governance: how the body ensures that it makes informed decisions and properly manages its risks; and

c) Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

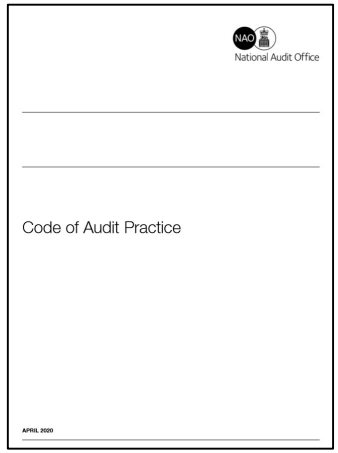
The auditor will be required to provide a commentary on the arrangements in place to secure value for money. Where significant weaknesses are identified the auditor should make recommendations setting out

- Their judgement on the nature of the weakness identified
- The evidence on which their view is based
- The impact on the local body
- The action the body needs to take to address the weakness

The consultation document and a copy of the new Code can be found on the NAO website. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the new Code:

https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf



Financial Reporting Council – Summary of key developments for 2019/20 annual reports

On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.

IFRS 16 Leases

The FRC letter also comments on the introduction of IFRS 16.

Financial Reporting Council – aid to Audit and Governance Committees in evaluating audit quality

On 19 December the Financial Reporting Council (FRC) issued an update of its Practice Aid to assist Audit Committees in evaluating audit quality in their assessment of the effectiveness of the external audit process.

The FRC notes that, "The update takes account of developments since the first edition was issued in 2015, including revisions of the UK Corporate Governance Code, the requirement for all Public Interest Entities (PIEs) to conduct a tender at least every 10 years and rotate auditors after at least 20 years, and increasing focus generally on audit quality and the role of the Audit Committee. It also takes account of commentary from Audit Committees suggesting how the Practice Aid could be more practical in focus and more clearly presented.

The framework set out in the Practice Aid focuses on understanding and challenging how the auditor demonstrates the effectiveness of key professional judgments made throughout the audit and how these might be supported by evidence of critical auditor competencies. New sections have been added addressing the audit tender process, stressing that high-audit quality should be the primary selection criterion, and matters to cover in Audit Committee reporting.

As well as illustrating a framework for the Audit Committee's evaluation, the Practice Aid sets out practical suggestions on how Audit Committees might tailor their evaluation in the context of the company's business model and strategy; the business risks it faces; and the perception of the reasonable expectations of the company's investors and other stakeholders. These include examples of matters for the Audit Committee to consider in relation to key areas of audit judgment, and illustrative Audit Committee considerations in evaluating the auditor's competencies.

The FRC encourages Audit Committees to use the Practice Aid to help develop their own approach to their evaluation of audit quality, tailored to the circumstances of their company. Audit Committees are encouraged to see their evaluation as integrated with other aspects of their role related to ensuring the quality of the financial statements – obtaining evidence of the quality of the auditor's judgments made throughout the audit, in identifying audit risks, determining materiality and planning their work accordingly, as well as in assessing issues."

The Practice Aid can be obtained from the FRC website:

https://www.frc.org.uk/getattachment/68637e7a-8e28-484a-aec2-720544a172ba/Audit-Quality-Practice-Aid-for-Audit-Committees-2019.pdf

Implementation of International Financial Reporting Standard 16 *Leases*

IFRS 16 *Leases,* as interpreted and adapted for the public sector, will be effective from 1 April 2020.

Background

IFRS 16 Leases was issued by the International Accounting Standards Board (IASB) in January 2016 and is being applied by HM Treasury in the Government Financial Reporting Manual from 1 April 2020. Implementation of the Standard will be included in the *Code of Practice on Local Authority Accounting in the United Kingdom* (the Code) for 2020/21.

The new Standard replaces the current leasing standard IAS 17 and related interpretation documents IFRIC 4, SIC 15 and SIC 27 and it sets out the principles for the recognition, measurement, presentation and disclosure of leases. The IASB published IFRS 16 because it was aware that the previous lease accounting model was criticised for failing to provide a faithful representation of leasing transactions.

Impact on 2019/20 financial statements

Whilst the new Standard is effective from 1 April 2020, authorities are required by the Code to *'disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted'.* This requirement of the Code (3.3.4.3) reflects the requirements of paragraph 30 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.*

In the 2019/20 financial statements we would therefore expect to see authorities make disclosures including:

- the title of the Standard
- the date of implementation
- the fact that the modified retrospective basis of transition is to be applied, with transition adjustments reflected through opening reserves
- known or reasonably estimable information relevant to assessing the possible impact that application will have on the entity's financial statements, including the impact on assets, liabilities, reserves, classification of expenditure and cashflows
- the basis for measuring right of use assets on transition
- the anticipated use of recognition exemptions and practical expedients recognising that what is sufficient disclosure for one body may not be sufficient for another

Information needed for 2019/20 financial statements

In order to make disclosures in 2019/20, a significant amount of data will be needed, most significantly:

- a complete list of leases previously identified under IAS 17 and IFRIC 4
- details of non-cancellable lease terms, purchase options, extension and termination options
- details of lease arrangements at peppercorn or NIL rental
- anticipated future cash flows and implicit interest rates or incremental borrowing rates to enable calculation of lease liabilities

Audit work on IFRS 16 transition

At this stage, we would expect you to have:

- determined whether the impact of IFRS 16 will be material for your authority
- raised awareness of the new Standard across the authority, potentially including procurement, estates, legal and IT departments
- assessed the completeness and accuracy of your lease register and taken action if necessary
- formalised and signed existing lease documentation
- identified leases of low value assets and leases with short terms
- considered whether liaison with valuation experts is necessary
- started to draft your 2019/20 disclosure note
- started to embed processes to capture the data necessary to manage the ongoing accounting implications of IFRS 16

and that you are monitoring progress against an approved IFRS 16 implementation plan. Your local engagement team will be in touch to discuss your progress with IFRS 16 implementation and audit working paper requirements.

Implementation of International Financial Reporting Standard 16 *Leases*

.

Further information and guidance

CIPFA published their 2020/21 Code consultation on 12 July 2019, including an Appendix concerned with IFRS 16 implementation, further details can be found at:

https://www.cipfa.org/policy-and-guidance/consultations-archive/code-of-practice-on-local-authority-accounting-in-the-united-kingdom-202021?crdm=0

HM Treasury published IFRS 16 Application Guidance in December 2019 which can be found at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/853238/IFRS_16_Application_Guidance_December_2019.pdf

CIPFA's IFRS 16 'Early guide for local authority practitioners' is available at:

https://www.cipfa.org/policy-and-guidance/publications/i/ifrs-16-leases-an-early-guide-for-local-authority-practitioners

IFRS 16 has been adopted a year earlier in the commercial sector. The Financial Reporting Council has published an IFRS 16 Thematic Review *'Review of Interim Disclosures in the First Year of Application',* containing key findings from their review and providing helpful insights into important disclosure requirements. The FRC's publication is available at:

https://www.frc.org.uk/getattachment/a0e7c6e7-67d0-40fe-b869-e5cc589afe79/IFRS-16-thematic-review-2019-optomised.pdf.

What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal "Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it's critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future."

Paul goes on to write "Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government's austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

1) The creation of a new arm's length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and

2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it's clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

https://www.themj.co.uk/What-is-the-future-for-audit/214769

Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available now on our online hub, where you can read the new report and explore our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

• businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment

• policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas

• Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

1 Prosperity

2 Dynamism and opportunity

3 Inclusion and equality

4 Health, wellbeing and happiness

5 Resilience and sustainability

6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

1 Ensure that decisions are made on the basis of robust local evidence.

2 Focus on the transformational trends as well as the local enablers

3 Align investment decisions to support the creation of sustainable growth

4 Align new funding to support the creation of sustainable growth

5 Provide space for innovation and new approaches

6 Focus on place over organisation

7 Take a longer-term view

The online report is available here:

https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/

Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found "The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB)."

The IFS goes on to report "Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils' revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils' funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services."

The IFS reports a number of key facts and figures, including

1) Cuts to funding from central government have led to a 17% fall in councils' spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
2) Local government has become increasingly reliant on local taxes for revenues.
3) Councils' spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

https://www.ifs.org.uk/publications/14563

CIPFA Financial Resilience Index

The Chartered Institute of Public Finance & Accountancy's (CIPFA) Financial Resilience Index is a comparative tool designed to provide analysis on resilience and risk and support good financial management.

CIPFA note "The index shows a council's position on a range of measures associated with financial risk. The selection of indicators has been informed by the extensive financial resilience work undertaken by CIPFA over the past four years, public consultation and technical stakeholder engagement. The index is made up of a set of indicators. These indicators take publicly available data and compare similar authorities across a range of factors. There is no single overall indicator of financial risk, so the index instead highlights areas where additional scrutiny should take place in order to provide additional assurance. This additional scrutiny should be accompanied by a narrative to place the indicator into context."

At the launch of the index in December, CIPFA commented " the index analyses council finances using a suite of nine measures including level of reserves, rate of depletion of reserves, external debt, Ofsted judgements and auditor value for money assessments."

CIPFA found that against these indicators the majority of councils are not showing signs of stress. But around 10% show "some signs of potential risk to their financial stability.

CIPFA The Chartered Institute of Public Finance & Accountancy

The Financial Resilience tool is available on the CIPFA website below:

https://www.cipfa.org/services/financial-resilience-index/

Chairman's Annual Report – 2019/20
Audit Committee

Like the seasons and birthdays we seem to have all too quickly returned to the time of the chairs annual report, the highlight of the committee year.

The Audit Committee like many others saw a shift in the individual members who attend and work on your and the authorities behalf at the 2019 June meeting, the start of our committee year.

25th June 2019

Our first meeting saw more new faces than several of the previous year's put together with the election of chair and vice chair being the initial priority.

I cannot stress enough the honour it is to have been re-elected as Chair of your Audit Committee and I thank members of the Committee for allowing me the privilege.

We saw Cllr A Wyer elected as a very capable Vice Chair, Andy, as with other new members, arrived with a new set of questions and challenges, an invaluable boost for the Committee.

Business started with opportunities for essential training days being announced along with an explanation of Mid Devon working with the Devon Audit Partnership (DAP) for our internal audit work and Grant Thornton (GT) as our external auditors.

DAP meets at Devon County Council and is chaired on a rotating basis, this year 2019 / 20 it is Mid Devon's turn and I as the MDDC Audit Chair was elected to chair the committee for the coming year.

MDDC have two seats/ votes as do the other partners, Devon County Council, Torbay Council, Plymouth City Council, and Torridge the partnership continues to expand with South Hams considering membership.

All minutes and agendas can be found on the DCC web site.

The work of your committee seeks to look at "RISK" in all its forms and isn't simply looking at financial out-turns. We receive all PDG committee reports and have the ability to ask other committees to look at specific areas or indeed if we feel strong enough ask senior officers to attend to give some clarity on specific areas.

Many subjects do seem to come round or have a regular slot given members interest or curiosity. June saw discussions on, Gigaclear, trim trails, missing revenue notes and Climate Change challenges.

The internal annual report was received with a detailed and substantive assurance report on 3 Rivers Development, Section 106 management, IT issues and details of outstanding internal audit recommendations.

July 2019 Special meeting

This is the largest of the Audit committee meetings. Your committee need to examine and seek to agree the:

Annual Governance statement (AGS)
Accounts
Grant Thornton (GT) External Auditors report

All the above had open discussion with the AGS being approved, the accounts being approved after detailed discussion on reserves and CARBON neutrality amongst the topics.

Once again MDDC received an unqualified opinion from GT and a satisfactory Value for Money opinion.

August 27th

Some topics do appear throughout the year and Climate Change is a topic that has now joined the ranks of 3RDL, town centre shop vacancies, absenteeism and past Audit action updates.

Committee agreed that Climate change and associated risk would be a lead topic for the committee going forward and I have asked that Cllr Elizabeth Wainwright be invited to attend Audit in March 2020 to give committee her views as the relevant portfolio holder.

Committee took an interest in the authority's leisure facilities and discussion took place in part two given the nature of the financial detail discussed.

Our internal Audit Manager, Mr David Curnow, suggested that each service area should have a champion to aid customer engagement, progress report awaited.

8th October

A brief report from myself as to the value of a training day attended by Cllr Wyer and myself at Buckfast Abbey ran by (GT). This is an annual event and very worthwhile attending as it gives an overview from GT as to what other authorities are doing and the general issues effecting local Authorities UK wide.

Further discussion took place on 3RDL in relation to risk to the authority and its governance arrangements.

All internal audit reports were discussed as well as all PDG committee reports.

It was agreed that a presentation should be looked at on fraud prevention for the committee, given by a member of the DAP fraud team (this took place in January 2020).

10th December

Unusual for Audit we had a member of the public attend to ask questions on 3RDL, these to be answered in a written response.

Further discussion on 3RDL as to the concerns around impairment and the fact the Cabinet did not seem to have a full understanding of 3RDL and needed a mechanism to receive more information.

Reports on Performance and Risk, AGS and External Audit all noted.

28th January 2020

Sad start to the New year.

As Chair I gave a few words on the sad passing of Cllr John Daw, although not an Audit Committee member, a sad loss to our authority. I was also required to confirm the loss of Jo Nacey who is to leave the authority in March.

Performance and risk....
Discussion took place around sickness stats, climate change and how we monitor progress against reduction of carbon.

Discussion on 3RDL as members still concerned about impairment and risk to the authority against loans and profitability. Also 3RDL required audit arrangements.

That concludes the committee year, some familiar topics and others such as climate change becoming ever increasingly discussed.

We enter 2020 with enormous challenges ahead and a need for clear and focused minds, all committees will play a vital part in assisting officers by giving clear focus and steer on not just the what but the how and why, more than ever I believe a focus by the Audit Committee on risk needs to be sustained.

Cllr Bob Evans
Chairman of the Audit Committee

This page is intentionally left blank