

# Public Document Pack

Mid Devon District Council

## Audit Committee

Tuesday, 2 December 2014 at 6.00 pm  
Exe Room, Phoenix House

Next ordinary meeting  
27 January 2015

Those attending are advised that this meeting will be recorded

## Membership

Cllr M D Binks  
Cllr R M Deed  
Cllr R Evans  
Cllr F R Rosamond  
Cllr R Wright

## 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. **Public Question Time**  
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
3. **Chairman's Announcements**  
To receive any announcements that the Chairman may wish to make.
4. **Minutes of the previous meeting**  
To approve as a correct record the Minutes of the meeting held on \*\*\*\*\* (copy attached).
5. **Audit Committee training**  
To receive feedback from the Committee Members who attended Audit Committee training in October 2014.
6. **Data Quality Policy (Pages 5 - 18)**  
To receive a report from the Head of Communities and Governance presenting the Committee with the Data Quality Policy and Data Quality Standards.

7. **Anti-Fraud and Corruption, Whistle-blowing and Anti-Money Laundering** (*Pages 19 - 38*)  
To receive a report from the Audit Team Leader presenting the Committee with the reviewed and updated policies for Anti-Fraud, Whistle-blowing and Anti-Money Laundering.
8. **Internal Audit progress Report** (*Pages 39 - 44*)  
To receive a report from the Audit Team Leader updating the Committee on the work performed by Internal Audit for the 2014/15 financial year.
9. **Internal Audit reports**  
Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

#### **ACCESS TO INFORMATION ACT – EXCLUSION OF THE PRESS AND PUBLIC**

**RECOMMENDED** that under section 100A(4) of the Local Government Act 1972 the public be excluded from the next item of business on the grounds that it involves the likely disclosure of exempt information as defined in section 100I and paragraph 3 of Part 1 of Schedule 12A of the Act, namely information relating to the financial or business affairs of any particular person (including the authority holding that information).

10. **Report on Value for Money** (*Pages 45 - 72*)  
To receive a report from the external auditors for the year ended 31 March 2014.
11. **Annual Audit Letter** (*Pages 73 - 80*)  
To receive the Annual Audit letter from Grant Thornton summarising the key findings arising from the work they have carried out for the year ended 31 March 2014. To also receive confirmation of the fees charged.

12. **External Audit update** (*Pages 81 - 96*)  
To receive an update report on the external auditors progress in delivering their responsibilities to the Council.
13. **Taking action against Councillors** (*Pages 97 - 100*)  
To receive a report from the Chief Executive addressing the resolution of a meeting of the Standards Committee held on 28 August 2014, namely “to ask officers to provide a constitutional amendment which clarifies who can take action against Councillors, under what circumstances and to establish a right of appeal.”
14. **Identification of items for the next meeting: 27 January 2015**  
The following items are currently listed in the work programme for the following meeting:
  - Financial information in relation to waste collections
  - Missed milestones in performance reports – discussion with the Chief Executive
  - Performance and Risk for the first two quarters of the 2014/15 financial year
  - Progress update on the AGS Action Plan
  - Internal Audit Update
  - Internal Audit reports
  - Pre-planning report Internal Audit Work Plan
  - Certification work report (Grant Thornton) 2013/14
  - External Audit update

**Kevin Finan**  
Chief Executive  
Monday 24 November 2014

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 Council Chamber on 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

Fax:

E-Mail: [slees@middevon.gov.uk](mailto:slees@middevon.gov.uk)

**AUDIT COMMITTEE  
2<sup>ND</sup> DECEMBER 2014:**

**AGENDA ITEM: 6**

## **DATA QUALITY POLICY**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Head of Communities and Governance

**Reason for Report:** To present the Committee with the Data Quality Policy and Data Quality Standards

**RECOMMENDATION(S):** (a) That the Committee approves the Data Quality Policy and Data Quality Standards and (b) agrees to next review the Policy in 4 years time (in line with the corporate policy framework)

**Relationship to Corporate Plan:** This policy forms an integral part of measuring the Council's performance against the Corporate Plan

**Financial Implications:** None

**Legal Implications:** None

**Risk Assessment:** Data is a key asset and failure to have effective data quality arrangements in place could mean that decisions and conclusions could be drawn from data that is inaccurate and out of date.

### **1.0 Introduction**

- 1.1 Good quality data is an essential ingredient for the production of reliable information which is used to inform the decision making process.
- 1.2 The purpose of this report is to provide the Committee with the Data Quality Policy (Appendix A) and Data Quality Standards (Appendix B), which outlines the roles and responsibilities for data quality within the Council and also provides clarification for officers and members as to the standards expected.
- 1.3 The Performance Management guidance for both officers and members is currently being updated and will make reference to the Data Quality Policy. Once this review and update has taken place both the performance management and data quality documents will be published on Sharepoint.

**Contact for more Information:** Amy Tregellas, Head of Communities & Governance, ext 4246

**Circulation of the Report:** Management Team and the Finance Cabinet Member

# Data Quality Policy

## 1.0 Introduction

1.1 This policy sets out Mid Devon District Council's approach to data quality. By 'data' we mean the basic facts from which information can be produced by processing or analysis. Data is one of the Council's most important assets – it is extremely important as we want to be sure that information on which we base decisions and inform our planning is robust.

1.2 Data Quality underpins the Council's corporate plan and priorities:

- Thriving Economy
- Better Homes
- Empowering our Communities
- Caring for our Environment
- Managing our Resources

1.3 Producing data that is fit for purpose should not be an end in itself, but an integral part of the Council's operational, performance management, and governance arrangements. Consistent, high-quality, timely and comprehensive information is vital to support good decision-making and to improve service outcomes.

1.4 This document outlines the steps necessary to maintain the highest possible standards throughout the processes that result in recognisable performance information. It should be read in conjunction with the Data Quality Standards document (Appendix B).

1.5 The risk in not identifying and addressing weaknesses in data quality, or the arrangements that underpin data collection and reporting activities, is that information may be misleading, decision making may be flawed, resources may be wasted, poor services might not be improved, and policy may be ill-founded. There is also a danger that good performance may not be recognised and rewarded.

## 1.6 Summary Statement

**Mid Devon District Council is committed to high standards of data quality. Every care will be taken to ensure that the data and information used throughout the organisation and in particular in performance management is accurate, valid, timely, relevant, secure, accessible and complete.**

## 2.0 What makes good quality data?

2.1 There are six key characteristics that describe data quality (taken from the Audit Commission publication titled '*Improving information to support decision making: standard for better quality data*'). These characteristics can help the Council and its partners assess the quality of data and take action to help address potential weaknesses:

# Data Quality Policy

- Accuracy
- Validity
- Reliability
- Timeliness
- Relevance
- Completeness

## 2.2 Accuracy

Data should be:

- Sufficiently accurate for its intended purpose;
- Providing a fair picture of performance and should enable informed decision making;
- Captured once only and be right first time; and
- Captured as close to the point of activity as possible i.e. within the relevant service area

The need for accuracy must be balanced with the importance of the uses for the data, and the costs and effort for collection. For example, it may be appropriate to accept some degree of inaccuracy (i.e. an estimated figure) where timeliness is important. Where compromises are made on accuracy, the resulting limitations of the data must be made clear to the users of the data.

## 2.3 Validity

Data should be recorded and used in compliance with relevant requirements, including the correct application of any rules or definitions, e.g. nationally required data. This will ensure consistency between periods and with similar organisations, measuring what is intended to be measured.

## 2.4 Reliability

Data should reflect stable and consistent data collection processes across a collection of points over time, whether using manual or computer based system, or a combination of the two. Where the data collection method is changed the user of the data must be informed in order to ensure that they are aware of any potential variations in the data.

## 2.5 Timeliness

Data must be captured as soon as possible after the event or activity and must be available for the intended use within a reasonable time period. Data must be available quickly and frequently enough to support information needs and to influence service or management decisions.

## 2.6 Relevance

Data captured should be relevant to the purposes for which it is used. To ensure that this is the case a periodic review of requirements should be undertaken to reflect any changing needs.

The users of the data should also be contacted on a periodic basis to ensure that the information meets their needs and contains the correct level of detail and is in the best format to enable effective decision making.

## 2.7 Completeness

Data requirements should be clearly specified based on the information needs of the Council and data collection processes matched to these requirements. Monitoring missing, incomplete, or invalid records can provide an indication of data quality and can also point to problems in the recording of certain data items.

2.8 In the case of all six of the key principles listed above, a robust quality assurance and checking process is required to ensure the quality of data. This is covered in detail in the Data Quality Standards (Appendix B).

## 3.0 Locally Defined Data Quality Standards

3.1 The Council has developed the following data quality standards in accordance with best practice to assist those responsible for managing and using data:

- Awareness
- Definitions
- Input
- Verification
- Systems
- Output
- Presentation
- Data Security

3.2 The standards are covered in more detail in the Data Quality Standards document (Appendix B).

## 4.0 Roles and Responsibilities

4.1 The following groups and individuals have the following roles and responsibilities for data quality within the Council:

4.2 The **Audit Committee** will approve the Data Quality Policy and Data Quality Standards, as well as any subsequent revisions. It will also take appropriate action to ensure that data quality is embedded throughout the Council.

4.3 The **Chief Executive** is the officer Data Quality Champion and has senior management responsibility for data quality.

4.4 The **Finance Cabinet Member** will:

- Communicate the importance of data quality to other Members
- Support the implementation of the proposed annual work programme



- Act as a sounding board and provide a critical friend challenge to the data quality process
- 4.5 The **Head of Communities and Governance** is responsible for the overall quality and audit of data within the Council in order to provide the Council with an adequate level of assurance. The Audit Team Leader will be the key contact point for any data quality queries. The Audit Team Leader and the Audit Team will be responsible for data quality checking all relevant Committee reports containing data.
- 4.6 **Heads of Service and their Service Managers** will be responsible for:
- Communicating the importance of data quality to all officers within their service area
  - Ensuring that data quality responsibilities are reflected in the job descriptions and performance objectives of relevant officers within their team and that any training and development needs are identified and addressed through the supervision and appraisal process.
  - Leading the data quality process within their service areas and ensuring that there are adequate systems and procedures in place to meet the Council's data quality standards outlined in Appendix B
  - Ensure that any data that is provided by third parties such as contractors or partnerships meets the same standard as the Council's data
  - Ensure that data quality is included in any protocols drawn up for the sharing of services with other Councils if and when it becomes appropriate
- 4.7 All **employees** who input, store, retrieve or otherwise manage data are responsible for ensuring that the data is of the highest quality and that they comply with this policy and the Data Quality Standards document. It is also their responsibility to inform their Service Manager if they think they need any training and support.
- 5.0 Embedding the Council's Data Quality Arrangements**
- 5.1 The Data Quality Standards (Appendix B) outline details on embedding Data Quality within the Council.
- 5.2 The Audit Committee will receive data quality awareness training and will also be made aware of any issues relating to Data Quality as and when appropriate.

# Data Quality Standards

## 1.0 Locally defined Data Quality Standards

1.1 As outlined in section 3 of the Data Quality Policy, the Council has locally defined the following Data Quality Standards:

- **Awareness:** everyone recognises the need for good quality data and how they can contribute;
- **Definitions:** everyone knows which performance indicators are produced from the information they input and how they are defined;
- **Input:** there are controls over input, especially that information is input on an ongoing basis, rather than being stored up to be input at a later date
- **Verification:** there are verification procedures in place as close to the point of input as possible;
- **Systems:** are fit for purpose and staff have expertise to get the best out of them;
- **Output:** performance indicators (and other data) are extracted regularly and efficiently and communicated in a timely manner whether it be for Mid Devon District Council Services, Partnerships or Shared Services;
- **Presentation:** annual performance indicators (and other data) are presented, with conclusive evidence, in such a way as to give easily understood and accurate information to those users that are making decisions.
- **Data Security:** data is to be handled and stored in a secure manner to ensure that the Council's policies and procedures in relation to data protection, information security and government connect Code of Compliance are adhered to.

1.2 The information in this Standard uses performance information as an illustrative example but these standards apply to all types of data and information that is produced by the Council.

## 2.0 Awareness

2.1 Data Quality is the responsibility of all members of staff inputting, storing, retrieving or otherwise managing data from any of the Council's information systems, whether manual or computerised.

2.2 All service managers are responsible for communicating the importance of data quality to all officers within their service area and to ensure that any training and development needs are raised. The Audit Manager will provide training to relevant officers and tailor it to their particular needs.

## Data Quality Standards

- 2.3 The Data Quality Policy and Data Quality Standards will be emailed to all officers and members following approval and will then be accessible through the Audit pages on Sharepoint.
- 2.4 The Audit Manager or her representative will attend new staff Induction sessions that are run by Human Resources to highlight the importance of data quality to new members of staff.
- 2.5 Where appropriate the importance of data quality will be discussed at staff briefings including using the core brief and 'the link'.
- 2.6 Member briefing sessions will be held to make members more aware of the importance of data quality.

### **3.0 Definitions**

- 3.1 All relevant officers must know how their day-to-day job contributes to the calculation of performance indicators, and how lapses could either lead to errors or delay in reporting, both of which limit our ability to manage performance and make decisions effectively.
- 3.2 This means that an understanding is needed of any performance indicators affected by the data contributed by the officer. A basic grasp might be, for example, knowledge of what the numerator and denominator is, and whether there are any important technical guidelines (for example, the exclusion of certain cases). This will normally be easier to communicate if officers understand the purpose of the indicator, or the policy it is meant to monitor.
- 3.3 Where we are required to provide data and information to the Government (or relevant government department) whether through nationally set performance indicators or data returns it is important that the details provided are accurate and in line with the required guidance.
- 3.4 Where we are setting local performance indicators we need to ensure that we have established a clear definition and that there are systems available to collect and report the data in an agreed format. In particular, we need to be clear about whether target and outturn figures refer to a snapshot or cumulative position.
- 3.5 In some cases there are a number of similar indicators measuring the same thing in slightly different ways. It is important to ensure that separate figures are calculated and reported systematically for each definition.
- 3.6 Every performance indicator has a named officer who is responsible for collecting and reporting the information. This ensures that there is consistency in the application of definitions and use of systems for providing the data. Each named officer is kept up to date of any changes in definition that may occur from time to time and the guidance can be found on the Audit pages of Sharepoint.

# Data Quality Standards

## 4.0 Input

- 4.1 There must be adequate controls over the input of data. Systems-produced figures are only as good as the data input into that system in the first place. The aim should be 100% accuracy 100% of the time. It is important that officers are given clear guidelines and procedures for using systems and are adequately trained to ensure that information is being entered consistently and correctly.
- 4.2 A key requirement is that data should be entered on an ongoing basis, not saved up to be entered in a block at the end of a period. This reduces the error rate and the need for complex verification procedures.
- 4.3 Controls must also be in place to avoid double-counting. These must be designed according to the nature of the system, in particular where more than one person inputs data. A likely control will be an absolutely clear division of responsibility setting out who is responsible for what data entry.
- 4.4 The system must also record all relevant information. Individual systems need to be evaluated to determine whether additional controls are necessary. An additional control would be necessary if there is any way, theoretically, that a relevant case could exist without being captured by the current system.

## 5.0 Verification

- 5.1 Data requirements should be designed along the principle of 'getting it right first time' in order to avoid waste in the form of time and money spent on cleansing data, interfacing between different information systems, matching and consolidating data from multiple databases, and maintaining outdated systems.
- 5.2 Nevertheless, in complex systems, even where there are strong controls over input, errors can creep in. Where it is needed, a verification procedure should exist close to the point of data input. The frequency of verification checks must be aligned with the frequency of data reporting.
- 5.3 The simplest verification system might be a review of recent data against expectations, or a reconciliation of systems-produced data with manual input records. Depending on the complexity of the system, it might be necessary to undertake more thorough verification tasks, such as:
  - data cleansing, e.g. to remove duplicate records or to fill in missing information;
  - sample checks to eliminate reoccurrence of a specific error, e.g. checking one field of data that is pivotal to a performance indicator against documentation, for a sample of cases;
  - test run of report output, to check the integrity of the query being used to extract data;
  - spot checks, eg on external contractor information.

- 5.4 Particular attention needs to be paid to data provided by external sources. A number of performance indicators are calculated using information provided by contractors/partners and the Council must work alongside contractors/partners to ensure that such data is accurate.
- 5.5 When entering into contacts with service providers it is essential that, wherever relevant, there is a requirement to provide timely and accurate performance information. We must also be clear with the contractor about their responsibilities for data quality and how we will be checking the information they provide.
- 5.6 It might not always be possible to alter existing contracts so that contractors are fully committed to providing an agreed quantity of performance data. In this case, the data must be treated as high-risk and thought must be given to establishing a system of checks and measures to ensure that we are confident about the accuracy of this data. When carrying out checks on such information it is essential that this is documented and signed off by the relevant officer.
- 5.7 Some important information – for example, community safety statistics – is provided directly to the Council by external agencies. The initial priority of this strategy is to address shortcomings in performance information provided directly by and to us, but where concerns exist about the integrity of externally provided information, the Council's intention is to work with other agencies constructively wherever possible to provide assurance and rectify any problems identified. Where the data from an external source is used in a Committee Report or public document the writer must always give the source of where the data has come from.
- 5.8 Responsibility for initial data verification will lie within Departments, but Internal Audit can offer advice and guidance about the adequacy of verification procedures. However, where data is being provided to members for decision making purposes, the Committee report and any accompanying papers must be completed and forwarded to Internal Audit for data quality assurance checking and sign off prior to the agenda being dispatched.
- 5.9 Internal Audit conduct an annual review of published performance indicators to check that the Indicators have been calculated correctly and are in accordance with the statutory guidance (in the case of any nationally set performance indicators).
- 5.10 Internal Audit also provides the Council with a corporate overview as to the adequacy of the Council's arrangements in relation to Data Quality. The Internal Audit report template has been amended to include comment on the data produced by the service area as well as identifying any anomalies along with recommendations for improvement.
- 5.11 During external audits, the responsible officer or their deputy must be available to provide advice and information on the relevant performance

# Data Quality Standards

information. When information is presented to external audit, working papers must be provided to confirm that the definition has been followed, the calculations are correct and the indicator is supported by a full audit trail.

## 6.0 Systems

6.1 Each system must have a named officer responsible for data quality issues. The responsible officer would be required to ensure that:

- the data collection/collation/calculation process is accurately mapped and a set of written procedures (user guide) exists for the purpose of inputting and extracting performance information. This must be regularly updated to reflect any system changes;
- regular quality assurance checklists must be completed for all information systems and any identified risks should be promptly addressed;
- users are adequately trained, where appropriate by having a formal training programme which is periodically evaluated and adapted to respond to changing needs;
- information management and support is available to users;
- system upgrades are made where necessary (including to accommodate amendments to PI definitions);
- the system meets managers' information needs;
- feedback from users is acted upon;
- the system can produce adequate audit trails;
- actions recommended by system reviews (e.g. by the external auditors) are implemented;
- a business continuity plan for the system exists to protect vital records and data.

6.2 There must also be a named substitute officer who can deputise in the data quality lead's absence by (at least) maintaining the day-to-day functionality of the system. Given the increasingly demanding timescale for performance reporting, the Council cannot afford to have systems lying dormant during unplanned absences. It is, therefore, also essential that written procedures are designed so that another officer can carry out the procedures essential to providing performance information if the officer who normally performs these duties is absent.

6.3 The paragraphs above detail an approach to ensure that systems data quality is maintained, but there will be systems where work has to be undertaken to rectify gaps in the control environment. To identify these systems there needs to be a co-ordinated evaluation of every information system used in the Council to produce performance information, including:

- the identity of the officer responsible for the system and their substitute officer;
- a central co-ordinator who will be the Audit Manager will ensure that there is a central register detailing all systems and responsible officers;

## Data Quality Standards

- a summary of data quality and verification actions undertaken;
  - risk assessments undertaken.
- 6.4 There are a number of conditions that might lead to a system being considered high-risk, and every system needs to be considered against these factors using a Quality Assurance Checklist. The assessment will be regularly updated at least annually. The Quality Assurance Checklist will be completed by the Service Manager and checks will be undertaken by the Internal Audit team in consultation with Departments. Assessments of 'High Risk' conditions will include:
- a high volume of data/transactions;
  - technically complex performance indicator definition/guidance;
  - problems/risks identified in previous years;
  - inexperienced staff involved in data processing/performance indicator production;
  - system being used to produce a new performance indicator;
  - changes to the system or staffing;
  - known gaps in the control environment.
- 6.5 The purpose of undertaking a risk assessment is to target limited resources at the areas that require most attention. A co-ordinated programme of improvement will be put together focusing on high-risk systems. This will be compiled by the Internal Audit Team in consultation with Departments.
- 6.6 Where high-risk systems have been identified for attention, the following steps will need to be taken:
- analysis of the control environment;
  - identification of gaps;
  - design of mitigating controls and procedures to address gaps;
  - preparation of an action plan which lists responsible officers and target dates;
  - monitoring the implementation of the action plan
- 7.0 Output**
- 7.1 Best use can be made of performance data if it is produced and communicated on a timetable that allows for management comment and action.
- 7.2 It is important that performance information is subject to scrutiny and quality checking in order for it to be challenged before being passed the line for management action. As outlined in section 6.4, a Quality Assurance Checklist will be completed by the Service Manager when a data output arises.



- 7.3 There will then be three potential ways of the data output being checked.
1. Where the data is being presented to members in the form of a committee report, the report and any accompanying papers must be submitted to Internal Audit (in the same way that Legal and Financial Services receive relevant Committee reports) in order for the data to be quality assurance checked and signed off prior to the Committee report agenda being dispatched.
  2. Where the data is being released into the public domain, the quality assurance checklist and relevant accompanying data must be submitted to Internal Audit in order for the data to be quality checked and signed off prior to publication.
  3. For all other instances the Service Manager must keep the completed Quality Assurance Checklist and accompanying data available as Internal Audit will conduct random spot checks on this information.

## **8.0 Presentation**

- 8.1 Reporting accurate and timely information regularly leads to good decision-making and improved performance. For a large proportion of performance information, that performance will only be recognised publicly if it can be substantiated by external bodies.
- 8.2 If the controls listed in this document are in place, stakeholders will be able to have a greater degree of confidence in the information that is presented by the Council.
- 8.3 It is of paramount importance that data is presented to the user clearly to show whether performance is getting better or worse and whether it is on, above or below target. There must be clear explanatory notes where there are variances, particularly where performance is getting worse or is below target.
- 8.4 This document should be read in conjunction with the Council's guide to managing performance.

## **9.0 Data Security**

- 9.1 The Council has the following policies which are to be read in conjunction with this Policy:
- Data Protection Policy
  - Freedom of Information Policy
  - Information Security Policy
  - Information Security Incident Policy (which acts as the reporting protocol and includes the incident reporting form. This must be completed should data be lost or stolen).



# Data Quality Standards

APPENDIX "B"



Need to consider disclosure policy to give information as to what we want to make know and what we don't want to make known.

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**AUDIT COMMITTEE  
2 DECEMBER 2014**

**AGENDA ITEM: 7**

## **ANTI-FRAUD AND CORRUPTION, WHISTLE-BLOWING AND ANTI-MONEY LAUNDERING**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Audit Team Leader

**Reason for Report:** To present the Committee with the reviewed and updated Policies for Anti-Fraud & Corruption, Whistle-blowing and Anti-Money Laundering.

### **RECOMMENDATION(S):**

1. That the Committee approve the amendments to the Anti-Fraud & Corruption, Whistle-Blowing & Anti-Money Laundering Policies
2. Give the Audit Team Leader delegated authority to make minor amendments to these policies e.g. changes to job titles
3. Agree to review these policies every four years meaning that the Committee will next review them in 2018 unless there are any major changes

**Relationship to Corporate Plan:** These policies support good governance arrangements enabling confidence in our delivery of the Corporate Plan.

**Financial Implications:** Not having these documents could result in not detecting fraud, corruption or financial irregularities, which could result in a loss to the Council.

**Legal Implications:** Any legal requirements are embedded in the policies no new or additional implications arise.

**Risk Assessment:** Without these Policies the Council is at risk of not detecting fraud, corruption or financial irregularities, which could result in significant loss to the Council and damage its reputation.

### **1.0 Introduction**

- 1.1 Several years ago the Council had an overreaching Anti-Fraud, Bribery and Corruption Strategy; this has been updated and appears at Appendix A.
- 1.2 The Council's Policies underpinning this; Whistle-blowing (Appendix B) and Anti-Money Laundering (Appendix C) were last reviewed and updated by the Audit Committee in September 2011.
- 1.3 Once again this year there are only minor amendments required; these changes are highlighted on the attached policies. As a result we have made the recommendations at 2 and 3 above.

## **2.0 Relationship with Corporate Governance**

- 2.1 The Council demonstrates its commitment to good governance through the adoption of a Code of Corporate Governance. The Council's Code is based upon best practice as recommended by CIPFA/SOLACE Core Principles. Core Principle 3 – *Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour* includes the adoption of policies relating to Anti-Fraud & Corruption and Whistle-blowing.
- 2.2 The Audit Commission's report on 'Protecting the Public Purse: Local Government fighting fraud' makes reference to it being good practice to have an Anti-Money Laundering Policy which is actively publicised to staff.

## **3.0 Conclusion**

- 3.1 It is essential to have these documents in place to promote good governance and accountability within Mid Devon District Council.

**Contact for more Information:** Catherine Yandle 01884 243975

**Circulation of the Report:** Cllr Peter Hare-Scott and Management Team

## **1.0 Introduction**

- 1.1 The purpose of this strategy is to make clear to Members, employees, the general public and other bodies, Mid Devon District Council's approach to fraud and corruption.
- 1.2 MDDC also demands that individuals and organisations with which it comes into contact, and particularly those to which it provides finance, act towards the Council at all times with integrity and without fraudulent or corrupt intent.
- 1.3 The threat from fraud and corruption is both internal and external. The Council's expectation is that Members and employees at all levels will lead by example to ensure high standards of propriety and accountability are established and strictly adhered to, and that personal conduct is above reproach at all times
- 1.4 The Council has adopted the seven Nolan principles of public life governing conduct, which are:
- Selflessness
  - Integrity
  - Objectivity
  - Accountability
  - Openness
  - Honesty
  - Leadership
- 1.5 The Council is committed to an effective anti-fraud and corruption strategy, which is designed to:
- Encourage prevention
  - Promote detection
  - Identify a clear approach for investigation

## **2.0 Culture**

- 2.1 MDDC has a responsibility for the proper administration of public funds and wishes to emphasise the importance it places upon probity, financial control and honest administration. The Council's arrangements for the prevention and detection of fraud and corruption will be kept under constant review. Suspected irregularities will be vigorously pursued and appropriate action will be taken.
- 2.2 The Council anticipates that Members, employees and the public will support its approach by reporting matters of genuine concern.

**MID DEVON DISTRICT COUNCIL**  
**APPENDIX A**  
**ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY**  
**DECEMBER 2014**

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- 2.3 Employees may report such matters to their managers or supervisors or to MDDC's Internal Audit Service. The Council assures employees raising such concerns that they will be fully supported, and they will have nothing to fear from reprisals and there will be no adverse impact on their personal situation. Where anonymity is requested, this will be guaranteed.
- 2.4 Members and the public may report any concerns to the Monitoring Officer, the Chief Executive or again to MDDC's Internal Audit Service. Requests for confidential treatment will be honoured. Members of the public can also make complaints through the Council's Complaints Procedure.
- 2.5 Internal Audit is responsible for the initial receipt and investigation of any allegations of fraud or corruption received and does so through clearly defined procedures and standards.

### **3.0 Prevention**

- 3.1 The Council recognises that a key preventative measure in the fight against fraud and corruption is to take effective steps at the recruitment stage. In particular, written references should be obtained regarding the known honesty and integrity of potential staff before employment offers are made.
- 3.2 Members are required to adhere to the Members' Code of Conduct, to be found in the Constitution, which has been formally adopted by MDDC. As part of the compliance with this code, Members are required to declare to the Council's Monitoring Officer when elected, and update when circumstances dictate, relevant interests. These are recorded in the register maintained for this purpose by the Monitoring Officer.
- 3.3 Similarly, all employees are bound by the requirements of the Code of Conduct for Employees. Employees are required to declare non-financial interests that they consider could bring about conflict with the authority's interests. MDDC employees are also expected to follow any code related to their professional role and qualifications.
- 3.4 As a general rule, all Members and Officers of the Council are advised to refuse any offers of gifts or hospitality, which might be considered to be related to the performance of their duties in relation to the Council. The exceptions to the rule are modest items up to £10 per item. Personal gifts to employees with a value of more than £10 must be recorded in the Register of Hospitality and Gifts held by the Monitoring Officer. Members are required to notify the Council's Monitoring Officer of any gift or hospitality over the value of £25.

**MID DEVON DISTRICT COUNCIL**  
**APPENDIX A**  
**ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY**  
**DECEMBER 2014**

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- 3.5 The Council reviews its Constitution and Codes of Conduct on a regular basis. These place a duty on all Members and employees to act in accordance with established best practice when dealing with the affairs of the Council.
- 3.6 Section 151 of the 1972 Local Government Act requires that every local authority shall make arrangements for the proper administration of its financial affairs. This includes maintaining strong financial management underpinned by effective financial controls and an adequate and effective system of internal audit. The Section 151 Officer also has to produce Financial Regulations for adoption by the Council.
- 3.7 Significant emphasis is placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. The adequacy and appropriateness of the Council's financial and other systems is independently monitored by both Internal and External audit.

**4.0 Detection and Investigation**

- 4.1 The Council, through its Internal Audit Section and Housing Benefits Fraud Investigation Team, undertakes specific tests or initiatives to detect fraud, such as the data matching as part of the National Fraud Initiative (NFI)
- 4.2 As already mentioned, the Council would expect employees, in support of its policy, to report matters of genuine concern to their managers or supervisors.
- 4.3 Despite the best efforts of financial managers and auditors, frauds are sometimes discovered by chance or whistle-blowing and, as indicated earlier, the Council has arrangements in place to enable such information to be properly dealt with.
- 4.4 The Council's Disciplinary Procedures are used where any investigation indicates improper conduct on the part of staff.
- 4.5 Depending on the nature and extent of the allegations, Internal Audit works closely with management and other agencies such as the Police to ensure all allegations and evidence are properly investigated and reported upon.
- 4.6 The Council expects the Police to independently prosecute offenders where financial impropriety is discovered.

**5.0 Training**

- 5.1 MDDC recognises the continuing success of its Anti-Fraud, Bribery and Corruption Strategy, and its general credibility, depends largely on the effectiveness of programmed training and the responsiveness of staff throughout the Council.
- 5.2 To facilitate this there is an induction process as well as on-going training and development to ensure that employees' responsibilities and duties are regularly highlighted and reinforced.
- 5.3 As one of the internal mechanisms for investigating allegations of fraud and corruption Internal Audit Service staff and others are also properly and regularly trained in this area of work.

**6.0 Policies**

- 6.1 The Whistle-blowing and Anti-Money Laundering Policies are on the Internal Audit pages of SharePoint and MDDC's website. See also the Financial Regulations, section 18 in particular, on the Finance pages of SharePoint and the website.



# Whistle-blowing Policy 2014



## 1.0 BACKGROUND

- 1.1 All of us at one time or another have concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice and-or similar wrongdoings, it can be difficult to know what to do.
- 1.2 You may be worried about raising such issues or may want to keep the concerns to yourself, perhaps feeling that it is none of your business or that it is only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to next.
- 1.3 Mid Devon District Council has introduced this policy to enable you to raise your concerns about such malpractice-matters at an early stage and in the correct way. We would rather that you raised the issue when it is just a concern rather than wait for proof. If something is troubling you, which you think we should know about or look into, please use this policy. The Whistle-blowing Policy is primarily for concerns where you have a reasonable belief that the interests of others or of the organisation itself are at risk.
- 1.4 This policy applies to:
- Staff employed by the Council
  - The Council's contractors and sub contractors
  - Agency staff
  - People on work experience placements with the Council
  - Homeworkers
  - Individuals undergoing training
- 1.5 In a number of cases other policies will be more appropriate including:
- Members (refer to the Members Code of Conduct & Monitoring Officer)
  - Issues relating to poor performance (Capability Policy)
  - Grievance against the Council arising directly from employment and/or working practices of the Council (Grievance Policy)
  - Standards of Conduct in the workplace (Disciplinary Policy)

## 2.0 WHAT IS MALPRACTICE?

- 2.1 Malpractice can include any of the following:
- Fraud, corruption or financial irregularities

# Whistle-blowing Policy 2014



- Breaches of health & safety and dangerous practices (to the public or employees)
- The physical, mental or sexual abuse of clients
- Serious damage to the environment
- Failure to comply with a legal obligation
- Any other illegal or criminal conduct
- Sexual, racial, physical or verbal harassment of others
- Breaches of data/ information security

2.2 You may not be certain that the 'wrongdoing' is definitely malpractice because it is not mentioned in the above list. The Council does not expect you to be able to prove malpractice. That is the Council's responsibility. But if the concern is enough that you feel the need to mention it to family, friends or a colleague in confidence, the Council wants to know about it. If in doubt, please raise it.

## 3.0 WILL MY IDENTITY BE KEPT CONFIDENTIAL?

3.1 It is in ~~the Council's~~MDDC's interest that concerns are raised so we can put them right and we will protect workers who voice concerns, this includes protecting the confidentiality of the worker. However, you should be aware that if a concern is to be investigated, you will be asked to provide information and your identity may have to be disclosed. If this is the case, you will be informed in advance and the Council will make sure that you are given support and protection. The Council will work to ensure that only those involved in the investigation are aware of your identity.

3.2 The Council wants people to give their name when making an allegation so that we can check the facts and make sure that the individual has reasonable belief of 'wrongdoing' and that they have acted in ~~good faith~~the public interest by raising this concern and that it is not merely malicious or mischievous. If you feel unable to give your name this should not stop you reporting your suspicions. Anonymous allegations will be considered but will be much more difficult to investigate. All documentation relating to the concern raised will be kept confidential and in a secure place.

## 4.0 WILL I BE PROTECTED FROM VICTIMISATION?

4.1 It can be difficult for workers to raise concerns and the Council will provide support for those that do. We will not tolerate ~~victimisation-bullying~~ or harassment of those who raise genuine concerns and will treat these actions as a serious disciplinary offence.

## 5.0 WHAT HAPPENS IF A MALICIOUS ALLEGATION IS MADE?

# Whistle-blowing Policy 2014



5.1 If the Council believes that you made an allegation frivolously, maliciously or for personal gain you will face disciplinary action.

## 6.0 WHAT WILL HAPPEN IF MY CONCERN IS NOT UPHeld?

6.1 You may raise a genuine concern that is not upheld by an investigation. In such circumstances you will be thanked for raising your concerns. No action will be brought against you. You will continue to be protected against [harassment/victimisation](#).

## 7.0 WHO CAN I RAISE A CONCERN WITH?

7.1 This will often depend on the nature of the allegation and how serious it is. Normally you should raise any issues with your immediate line manager. If however, you feel that the matter cannot be resolved by talking to your line manager you can speak to your Head of Service or Service Manager.

7.2 If you do not feel able to contact any of these people you can talk to any one of the Council's designated Whistle-blowing Advisers who are responsible for making sure that an enquiry is made into all concerns raised. These are:

Amy Tregellas, Head of Communities & Governance, ext 4246  
 Catherine Yandle, Audit Team Leader, ext 4975  
 Suzanne Kingdom, Auditor, ext 4236  
 Nicky Chandler, Auditor, ext 4237

7.3 The Council recognises that you may wish to seek advice and be represented by your Trade Union when using this policy (staff not belonging to the Trade Union may be represented by a work colleague). The Council acknowledges and endorses the role Trade Union officers can play in helping to identify concerns and alert management of these.

## 8.0 WHAT INFORMATION SHOULD I GIVE WHEN RAISING A CONCERN?

8.1 You should make it clear that you are raising your concern under the Whistle-blowing Policy. You should let us know your concerns as early as possible and provide as much factual information as you possibly can. This should include names, dates, places, history and why you are concerned. You should also provide your name and contact number if you feel able to do so. You can provide this information in writing if you wish, but this is not necessary.

## 9.0 WHAT IS THE PROCEDURE FOR INVESTIGATING A CONCERN?

9.1 The first decision to make is whether the matter needs to be investigated at all. This does not mean that your concern will be brushed aside, simply that

## Whistle-blowing Policy 2014



there may be a simple explanation. For example, your line manager (or the person you have raised the concern with) may know that the practice is legal, or authorised, or in some way not malpractice.

9.2 If an investigation is necessary, your concerns may be:

- investigated and dealt with internally;
- referred to the Police; or
- referred to the External Auditor

9.3 An internal investigation will begin with initial enquiries. The purpose of these enquiries is to ascertain whether a detailed investigation is appropriate or necessary. If there are specific procedures in place for certain matters (for example, sexual or racial harassment), these procedures will be used as the basis of the investigation.

9.4 If requested, an initial response will be sent to your home address within ten working days, which will:

- acknowledge receipt of your concern
- tell you what initial enquiries have been made
- explain how the matter is going to be dealt with
- estimate how long it will take to give you a final response
- provide information on employee support, including alternative positions within the Council if any are available
- tell you if and why there is to be no further investigation.

9.5 If, during this time, you want to know how the investigation is proceeding or you are concerned that your identity has been deduced or that you may be being victimised, please contact one of the designated officers outlined in Paragraph 7.2.

9.6 The investigating officer will also update you regularly on the progress of the investigation, unless there are legal reasons for not doing so. If that is the case, you will be told what those reasons are.

9.7 The final response will tell you the outcome of the investigation and what action has been taken, unless there are legal reasons why we cannot provide you with this information. For example, we may not be able to give you feedback where disciplinary action has been (or is proposed to be) taken by the Council against an individual.

**10.0 CAN I RAISE MY CONCERNS TO SOMEONE OUTSIDE THE COUNCIL?**

# Whistle-blowing Policy 2014



- 10.1 This policy encourages you to disclose concerns within the Council. External disclosures to other bodies should only be made in exceptional circumstances, for example, if you have already raised your concern through the Whistle-blowing Policy and feel that no action has been taken or there has been a cover up or if you reasonably believe your allegation has not been properly investigated. You are encouraged to seek advice, e.g. from your Trade Union representative or work colleague, before making an external disclosure.
- 10.2 In such circumstances workers can make disclosures to the following contact points:
- Trade Union
  - The Police
  - Public Concern at Work on 020 7404 6609.
  - Confidential Public Interest Disclosure Line at 0845 052 2646.
  - Health & Safety Executive
- 10.3 Employees of the Council have a duty not to undertake any actions that may bring the Council in to disrepute (see Officer Code of Conduct). If you do decide to report your concerns outside the Council, you must ensure you have very good reason for doing so, and you must not disclose confidential information.

## 11.0 RESPONSIBILITY FOR THIS POLICY

- 11.1 The Audit Team Leader has overall responsibility for the maintenance and operation of this Policy. The Policy will be reviewed and updated ~~on an~~ **annual basis** to ensure that it is both up to date and working as intended.
- 11.2 A confidential record of disclosure and its outcomes will be kept for a period of 5 years from the date all action was concluded on the matter. Reports will be made to the **Audit Scrutiny** Committee on a half yearly basis to inform them of the number of instances of Whistle-blowing and which category they fall into (from section 2.1). However, no personal details will be listed to ensure that confidentiality is not jeopardised.

# Anti-Money Laundering Policy 2014



## 1.0 WHAT IS MONEY LAUNDERING?

- 1.1 Money Laundering can be defined as “the crime of moving money that has been obtained illegally through banks and other businesses to make it appear that the money has been obtained legally”.
- 1.2 When the Council (or any of its employees or Members) is accepting or dealing with money or other assets there is a risk that such money or assets could come from a criminal source. In the vast majority of cases this is unlikely, but everyone should bear in mind that they could contravene the law if they become aware of or suspect criminal activity and continue to be involved in the matter without reporting their concerns.

## 2.0 RECOGNISING MONEY LAUNDERING

- 2.1 Possible indicators of money laundering may include:
- Cash based businesses which are more likely to add criminal funds to legitimate business takings
  - Large cash receipts generally
  - A person who is reluctant to supply evidence of identity or address
  - Large overpayment of fees or money on account
  - Cancelled transactions without good reason, requiring a repayment
  - Requests to forward balances on to a third party
  - Information received about an individual which may reveal criminality or association with criminality
  - The use of over complicated financial systems or funds received from third parties
  - A buyer’s or seller’s financial profile not “fitting” the transaction they are undertaking
  - Unexplained use of an out of area solicitor/agent in relation to a property transaction
- 2.2 This list is not exhaustive but simply gives examples of when employees should consider whether their suspicions should be aroused.
- 2.3 Such circumstances should suggest to the employee that they should be asking themselves questions such as e.g. *Would I expect this individual to have this amount of cash; why do they wish to pay in cash; why is this person offering to pay more than the going rate for this item/service, etc.*

# Anti-Money Laundering Policy 2014



## 3.0 LEGISLATION RELATING TO MONEY LAUNDERING

3.1 Legislation concerning money laundering has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The obligations impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering.

3.2 There are several pieces of legislation relating to money laundering which include:

- The Terrorism Act 2000 (Amendment) regulations 2007
- The Anti-Terrorist Crime and Security Act 2001
- The Proceeds of Crime Act 2002 (Amendment) Regulations 2007
- Serious Organised Crime and Police Act 2005
- Money Laundering Regulations ~~2003 & 2007~~
- ~~Third European Union Money Laundering Directive 2005~~

3.3 This Policy needs to be considered in conjunction with the Whistle-blowing and Anti-Fraud and ~~Anti~~ Corruption Policies.

## 4.0 PURPOSE AND SCOPE OF THE POLICY

4.1 The Policy aims to maintain the high standards of conduct which currently exist within ~~the Council~~ MDDC by preventing criminal activity through money laundering.

4.2 The legislative requirements concerning anti-money laundering procedures are extensive and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening this legislation.

4.3 This policy applies to all employees (including agency staff and contractors) and elected Members. The objective of this policy is to make all employees aware of their responsibilities and the consequences of non compliance. Service Managers must ensure that all employees are aware of this policy.

4.4 An employee could potentially be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it – e.g. if they:

- Assist a money launderer
- ~~“Tip-off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations~~ Knowingly prejudice a money laundering investigation



# Anti-Money Laundering Policy 2014



- Fail to ~~report~~ **disclose knowledge or** a suspicion of money laundering
- Acquire, use ~~of~~ or possess criminal property

4.5 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities. Employees contravening the legislation can be faced with imprisonment (up to 14 years), a fine or both.

4.6 Failure by an employee to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Procedure.

## 5.0 REPORTING/DISCLOSING INFORMATION

5.1 If an employee/Member suspects money laundering then they must report their suspicions to the Audit Team Leader who is the Council's Money Laundering Reporting Officer (MLRO). In such circumstance, no money may be taken from the suspected person(s) or company until this has been done.

5.2 In the event that the Audit Team Leader is not available then the disclosure must be made to ~~the Head of Legal and Democratic Services (Monitoring Officer)~~, Head of Communities and Governance (~~Deputy~~ Monitoring Officer) or the Head of Finance (Section 151 Officer).

5.3 The employee/Member will need to supply as much information as possible to the Audit Team Leader about the individual or company concerned i.e. name, address and their reasons for suspicion. If any other employees/Members have been involved with the transaction the names of these persons should also be passed to the Audit Team Leader.

5.4 Any disclosures must be reported using the form at the end of this Policy. Upon receiving the completed form the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect money laundering. If the MLRO determines that the information or matter should be disclosed it will be reported to the UK Financial Intelligence Unit (UKFIU) which is the branch of the ~~Serious Organised National~~ Crime Agency (~~SOGANCA~~) that deals with money laundering.

5.5 No discussion with colleagues should take place regarding disclosure. Disclosures should be kept confidential. It is important to ensure that the person(s) suspected of money laundering is not "tipped off" regarding the disclosure. It is an offence to prejudice an investigation by informing anyone of the disclosure or by tampering with evidence. If found guilty there is a punishment of up to 5 years in prison.



# Anti-Money Laundering Policy 2014



## 6.0 AFTER DISCLOSURE

- 6.1 Employees/Members making a disclosure report to the Audit Team Leader as the MLRO of the Council will be informed if a suspicious activity report is made to the UKFIUNCA.
- 6.2 No transactions can be completed where it is believed that money laundering is involved until clearance has been received from ~~either the UKFIU or the~~ SOGANCA, or seven days have elapsed since the disclosure was made to them and no instructions have been received. Employees must always check the position with the Audit Team Leader before taking any action.

# Anti-Money Laundering Policy 2014



## DISCLOSURE FORM TO MONEY LAUNDERING REPORTING OFFICER

Please complete and return to the **Audit Team Leader**

<b>Details of Employee/Member</b>	
Date of Disclosure	
Date of Event	
Name of person making the disclosure	
Job title	
Service Area	
Contact details (email address and telephone number)	
<b>Details of Suspected Offence</b>	
Full name of person(s) subject to inquiry <i>(include title, surname and forename)</i>	
Address	
Date of Birth	
Details of identification (if known)	
<b>In the case of a legal entity (Company)</b>	
Name of company	
Address of company	
Company Number (if known)	
Type of business	
VAT number (if known)	

# Anti-Money Laundering Policy 2014



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# Anti-Money Laundering Policy 2014



Any other details you have about the person(s) or company that may be relevant	
<b>Reason for Disclosure</b>	
Please provide an explanation of the nature of the activity and amounts. If you know or suspect what offence is being committed please provide details	
Have you discussed your suspicions with anyone else? If so, please list	
<b>Received by Money Laundering Reporting Officer (MLRO)</b>	
Reference	
Date	
Signature	
Print Name	

# Anti-Money Laundering Policy 2014



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## **INTERNAL AUDIT PROGRESS REPORT**

**Cabinet Member** Cllr Peter Hare-Scott  
**Responsible Officer** Audit Team Leader

**Reason for Report:** To update the Committee on the work performed by Internal Audit for the 2014/15 financial year.

**RECOMMENDATION(S):** The Committee notes the contents of this report.

**Relationship to Corporate Plan:** Effective Internal Audit plays a fundamental role in assisting the Council to deliver its corporate and improvement plan.

**Financial Implications:** None arising from the report

**Legal Implications:** None arising from the report

**Risk Assessment:** The role of Internal Audit is providing assurance that the risk management and internal control framework are operating effectively.

### **1.0 Introduction**

1.1 The four-year strategic audit plan for 2014/15 to 2017/18 and annual work plan for 2014/15 were presented to the Audit Committee at its meeting on 11 March 2014, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2014/15 Internal Audit work plan for the period from 1 April 2014 to early November 2014.

### **2.0 Progress to date and scope of audit activities**

2.1 The Audit Plan is split into the following sections:

- Core Audits
- Systems Audits
- Other Work (including fraud/ irregularity/ consultancy/contingency)

#### **2.2 Core Audits**

2.2.1 The Core Audits are given priority as they cover the Council's key financial controls or are areas where the level of income is material in the context of the Council's annual accounts. These audits are required to be carried out on an annual basis as part of the risk based audit process with the exception of Trade Waste and Car Park Income which are carried out alternately.

2.2.2 The Core Audits have now been commenced in accordance with the Internal Audit Work Plan. The ICT Core audit is complete, the opinion is included in section 3.0 below, and Car Park Income has been commenced.

## 2.3 Systems Audits

2.3.1 Systems Audits have been completed for Repairs & Maintenance, Contracts, Economic Development & Industrial Rents, Gazetteer Management Service, Leasing & Asset Management, Data Protection & Information Security, Gifts & Hospitality, Telephones, Lords Meadow Leisure Centre, Tiverton Pannier Market and Housing Health & Safety Management.

2.3.2 Systems Audits have been commenced on VAT and Time Recording. No further systems audits will now be commenced until the Core audits for 2014/15 are complete.

2.3.3 The opinions for those audits completed since the last report are included in full in section 3.0 below.

## 2.4 Other Work

2.4.1 The Internal Audit team continue to audit and report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees.

2.4.2 Data quality checks continue to be carried out on committee and other reports as requested.

2.4.3 1 Auditor sat on a job evaluation panel and the Audit Team have carried out 2 investigations so far this year. No consultancy work has been carried out in the last 2 months so as to concentrate on the audit plan.

## 2.5 Performance Indicators

As at end of September the Internal Audit PIs are as follows:

	Current	Target
Core	3%	0%
System	61%	60%

## 3.0 **Audit Opinions**

The following opinions have been issued since the last report:

### 3.1 **ICT Core**

3.1.1 There were only a few tests carried out for this audit as the ICT department is currently in the process of replacing their Helpdesk system so it was felt that full systems testing would not be beneficial. After discussions with the Head of Business Information Services (BIS) it was agreed that we would review some of the current processes to see if we could identify any areas that needed to be included during the change over to the new system; Support Works from Hornbill.

3.1.2 It is the overall opinion of the auditor that the ICT system remains adequately controlled at present.



3.1.3 There was only 1 high priority recommendation on this audit i.e.:

Remind Line Managers that they need to inform ICT as a matter of urgency when an agency workers starts, leaves or moves within MDDC.

This was given a target date for completion of 31 October 2014.

Summary of Recommendations		
High	Medium	Low
1	5	3

### 3.2 Gifts & Hospitality

3.2.1 All Members were required to declare any 'Disclosable Pecuniary Interest' and 'non Pecuniary Interests' after election in 2013. Whilst there have not been any new Members since the last audit Members do amend their Register of Interest forms frequently as changes occur.

3.2.2 New employees are required to agree to the terms and conditions of the Officers' Code of Conduct before they start work. This area seems to be well monitored with 8 out of 8 forms being returned, although 3 out of the 8 were signed after the employee's start date; 2 were signed within the first week and the other one was signed 12 working days after the start date.

3.2.3 It is difficult to monitor the area of gifts and hospitality as it relies on staff and Members declaring fully any items/hospitality received. There have been quite a few declarations received from members of staff but a lot of them are for a value below £10 (which does not need to be declared). There were 7 declarations of over £10; some of these items exceeded the £25 threshold. There were 2 declarations of gifts from Members. The wording in the Constitution with regard to acceptance of gifts and hospitality is ambiguous and needs clarification.

3.2.4 Civic Expenses expenditure was examined as part of this audit and all expenses were found to be legitimate and well within budget.

3.2.5 An annual reminder for staff and Members with regard to registering of interests and declaring gifts and hospitality is appropriate; however it seems that the reminder for 2014 has not yet been carried out.

3.2.6 It is the overall opinion of the auditor that gifts and hospitality and register of interests are adequately controlled.

3.2.7 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	1	3

### 3.3 Telephones

3.3.1 The cost of mobile phones and landlines has decreased significantly over the past 5 years, and the ICT (telephones) section has achieved savings by negotiating more competitive rates in contracts.

A mini competition tendering exercise was carried out recently and the mobile contract has been re-tendered by the existing supplier. This also applies to the landline telephones contract which has been awarded to a new supplier under one of the framework agreements that the Council is a member of.

3.3.2 However, there is a weakness in the procedure for notifying changes in users: Currently when an employee leaves, an HR leaver's memo is sent to the ICT helpdesk, their system access is removed and the internal directory is updated accordingly. Employees are supposed to hand over all Council property on their last day (or before), but where a department has purchased a handset, the phone stays with the department which means ICT may not be informed of a new user until sometime later. There is a risk therefore, that the phone is being used by another employee without them having read and signed the mobile phone user's policy so they may not be aware of the document, and could use the phone inappropriately. There would also be a cost implication as the department could be paying the monthly charge for a phone which is not being used; however it is appreciated that the cost is minimal as the monthly charge is very small.

3.3.3 It is the overall opinion of the auditor that the telephone system is well controlled.

3.3.4 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	0	1

### 3.4 Lords Meadow Leisure Centre

3.4.1 Management take staff training very seriously, and ensure that all staff receive the mandatory training in terms of Health and Safety, which is of paramount importance to ensure the safe running of Lords Meadow Leisure Centre. The two Leisure centres with pools are inspected in alternate years by the Royal Life Saving Society, and have to undergo numerous quality assurance checks in order to achieve ATC (Approved Training Centre) status, which they hold.

3.4.2 The Duty Managers have now been assigned distinct budget areas which they are responsible for. This will allow them to concentrate their efforts and to be more focused in their areas.

3.4.3 However, there are a number of weaknesses in some processes and procedures that need to be addressed.

The paperwork process and writing up of transactions for Petty Cash recording requires improvement, and there are also issues with weak

practices in terms of till and cashing up procedures; e.g. till sessions where one user logs in and other members of staff use the same till without starting a new session; some of the daily takings sheets have not been countersigned by a Duty Manager.

Whilst there is no evidence to suggest that there have been any significant errors or discrepancies, there is a risk of suspicion resting with a number of staff if a major discrepancy was identified, and these procedures need to be improved to provide assurance that the process is more robust and protect staff.

3.4.4 It is the overall opinion of the auditor that the system is adequately controlled.

3.4.5 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	4	2

### 3.5 Tiverton Pannier Market

3.5.1 It is clear that the Market Manager has worked hard to maintain a good relationship between himself and the traders at the Pannier Market. Recent events hosted at the Pannier Market have been successful in bringing people into the town centre and it is hoped that this will be built on with a list of events leading up to Christmas and more being planned in the New year.

3.5.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed, including the banking of cash. Although the recording of this this has been accurate, the banking of the market tolls needs to be done more regularly.

3.5.3 Where the Pannier Market is used for external events which are outside of the normal terms and conditions of hire, there must be a written agreement which is signed off by both parties to ensure that their respective responsibilities are clearly defined and understood.

3.5.4 It is the overall opinion of the auditor that the Pannier Market system is adequately controlled.

3.5.5 There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	9	2

### 3.6 Housing Health & Safety Management

3.6.1 There is a comprehensive programme and systems in place to ensure all required servicing takes place on a timely basis. There are also robust procedures in place to address occasions when access is not given by a tenant in order to fulfil our legal requirements as a landlord.

- 3.6.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed. Some of these weaknesses are significant and need to be addressed as a matter of urgency in particular getting the Integrator database up to date.
- 3.6.3 Since the audit 2 fixed term employees have been taken on for 3 months to specifically update Integrator including the Asbestos Register. An independent health and safety consultant has also been engaged.
- 3.6.4 It is the overall opinion of the auditor that the Housing Health and safety arrangements are adequate.
- 3.6.5 There was only 1 high priority recommendation on this audit i.e.:

Ensure that the Integrator system is promptly updated, with works already carried out to properties, as a matter of urgency. Integrator must then be kept up to date on an on-going basis.

This was given a target date for completion of 31 March 2015 but 2 fixed term staff have already been engaged to carry out this work.

Summary of Recommendations		
High	Medium	Low
1	5	0

#### 4.0 Conclusion

- 4.1 All the post audit surveys for systems audits sent out have come back “very satisfied” or “satisfied” so far.

**Contact for more Information:** Catherine Yandle, Audit Team Leader, x4975

**Circulation of the Report:** Management Team and Cllr Peter Hare-Scott

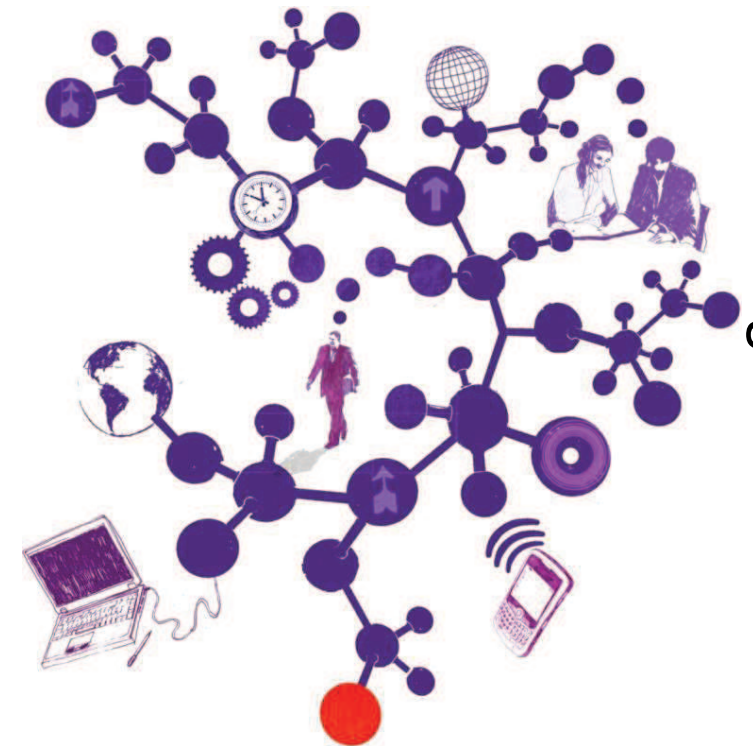
**List of Background Papers:** None

# Report on Value for Money for Mid Devon District Council

Year ended 31 March 2014  
Report date 2 December 2014

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

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# Contents

01 Introduction	Page 3
02 Executive Summary	Page 6
03 Key Indicators of Financial Performance	Page 10
04 Strategic Financial Planning	Page 16
05 Financial Governance	Page 18
06 Financial Control	Page 20
07 Prioritising Resources	Page 22
08 Improving Efficiency & Productivity	Page 24

---

# Introduction

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance

06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 48



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# Introduction

## What is this report?

This report summarises the findings from our work supporting our Value for Money (VfM) conclusion, which is required as part of the statutory external audit responsibilities.

It compliments our Audit Findings Report, by providing additional detail on the themes that underpin our VfM conclusion.

## Value for Money Conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission, which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience:** the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future (defined by the Audit Commission as twelve months from the date of issue of the report).

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness:** the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

The Code require auditors to identify significant risks to the VfM conclusion and to plan sufficient work to evaluate the impact of those risks, if any.

## Our approach

The approach involves:

- desktop analysis of relevant documentation
- meetings with key internal stakeholders
- a risk assessment to identify any significant risks.

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2013-14 and what that says about those arrangements
- any significant risks that we have identified.

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# Introduction

## What is this context?

### Nationally

The 2010 Spending Review set the Coalition Government's financial settlement for the four years to 2014/15, and the 2013 Review then covered 2015/16. By the end of this period, central funding to local government will have reduced by 35%.

2013/14 is the third year of councils having to deliver efficiency savings in response to the 2010 Spending Review and, given the 2013 Review and the budget statement in 2014, this will need to continue for the foreseeable future.

Delivering these efficiency savings and maintaining financial resilience is becoming increasingly difficult, even for top-performing councils. The challenges include:

responding to welfare reform; and  
the drive towards more integrated health and social care.

Demand for many demography-driven council services is expected to rise, whereas demand for some income-earning services is falling.

To fulfil their statutory requirements, councils must continue to provide certain services. But the opposing trends in funding and demand will create a sizeable funding gap even if carefully managed. In short, the sector is working through its greatest financial challenge of recent times.

### Locally

Now, more than ever, it is important that councils have sound arrangements for securing Value for Money. The current Government has pledged to continue its austerity programme, which will undoubtedly result in an ongoing reduction in Local Government funding. Mid Devon has already received a grant reduction of £553k for 2014/15, and an indicative grant funding settlement for 2015/16, which proposes further extra funding reduction of £656k. To put into context, this is in addition to the Council's reduction in Formula Grant of over £2.0m since 2010/11.

The Council has responded and managed within this ever tightening resource envelope since 2011/12 by: developing a more commercial attitude, better procurement, and increasing income. It has initiated a number of spend to save projects (e.g. solar panels/renewable energy initiatives and leisure centre enhancements) and implemented reductions in staffing levels.

At 31 March 2014 the Council held general fund reserves of £2,460k and £2,004k of reserves in the HRA. Planned increases in Earmarked reserves were delivered in year, increasing balances from £6,157k to £10,456k (General Fund 5,843k and HRA £4,613k). This puts the Council's financial reserves in a good position looking forward. However, the Council are aware of the need to prepare for further savings as it is likely that further cuts will be made to Council funding.

---

# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance

06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 5 of 11

---

# Executive Summary

## Overall Risk Assessment

There were no significant risks identified during our VfM work for 2013/14.

## Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.

Page 52

## Key findings

### Securing financial resilience

We have undertaken a review which considered the Council's arrangements against key indicators of financial performance and the three expected characteristics of proper arrangements, as defined by the Audit Commission:

- strategic financial planning
- financial governance
- financial control.

The Council reported a surplus on its provision of services of £42k for 2013/14. The budget, when set, incorporated identified savings of £606k. The Council continues to achieve challenging savings targets having achieved savings of £1.520k in the previous two financial years.

Usable reserves at 31 March 2014 were £8,303k, which is an increase on 31 March 2013 of £2,058k, so overall, the Council's financial position at the year end remains healthy. The Medium Term Financial Strategy, approved in October 2013, highlighted that the Council still requires savings of £2,045k in the four years to 2017/18. Monitoring of the Council's performance for the three months to June 2014 indicates that the projected 2014/15 out-turn will be a deficit of £227k, which is 2% of the Council's net budget.

The Council underspent by £689k on the provision of its HRA services in 2013/14, which has been set aside to support the Council's stock modernisation programme.

The HRA reserves stood at £6,617k at 31 March 2014. The Council has a programme to bring its stock up to the decent homes standard by March 2015, and to continue its building of additional housing.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

As identified last year, the Council has areas of spend, such as management support, leisure and waste management, that appear high in comparison with similar councils.

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# Executive Summary

## Challenging economy, efficiency and effectiveness (continued)

- the Council still maintains its own HRA and has in-house provision of leisure services. This leads to higher management support, compared to other council's;
- in-house provision of leisure services results in higher reported gross expenditure. This is offset, to a greater extent, by income from it's leisure services which has increased by approximately £500k over the last four years. As a policy, the Council has prioritised its service provision in this area and that has resulted in above average gross expenditure per head of population.;
- the Council brought its recycling service in-house, and has made the growth of recycling a priority for the District. Increasing recycling attracts additional income and recycling credits. The Council believes that its net spend is not out of line when compared to its neighbours. The council is currently at the higher level partly explained by the provision of a free garden delivery waste service costing approx £500k.
- The Council is aware of these areas and is aware of the areas of high spend, and the compensating income gains. The council's finance team undertake various benchmarking exercises of its costs, for example refuse recycling and leisure. The spend on these services is line with the Council's plans and Mid Devon should continue to benchmark these areas to satisfy itself that they continue to provide value for money.

# Executive Summary

We use a red/amber/green (RAG) rating with the following definitions.

<b>Green</b>	<b>Adequate arrangements appear to be in place</b>
<b>Amber</b>	<b>Adequate arrangements, with areas for development</b>
<b>Red</b>	<b>Inadequate arrangements</b>

## Overview of arrangements

Risk area	Summary observations	High level risk assessment
<b>Key Indicators of Financial Performance</b>	The Council has some areas of above average spend, which are underpinned by compensating income gains. The Council's finance team undertake various benchmarking exercises of its costs, for example. refuse recycling and leisure.	<b>Green</b>
<b>Strategic Financial Planning</b>	The Council has a robust financial planning framework, that has delivered achievable plans in the past.	<b>Green</b>
<b>Financial Governance</b>	The Council has good governance arrangements with robust arrangements for risk management. However, there has been a number of recent challenges to the Council's governance.	<b>Green</b>
<b>Financial Control</b>	Financial control is good. The Council has a history of achieving or exceeding its budgets	<b>Green</b>
<b>Prioritising Resources</b>	The Council has a relatively high level of usable reserves. This puts the Council in a strong position to react to future pressures..	<b>Green</b>
<b>Improving Efficiency &amp; Productivity</b>	Savings targets have been achieved and the Council continues to target services for efficiencies.	<b>Green</b>

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# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance

06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 5 of 6

# Key Indicators

## Introduction

This section of the report includes analysis of key indicators of financial performance, benchmarked where this data is available. These indicators include:

- Working capital ratio
- Long term borrowing to tax revenue
- Long term borrowing to long term assets
- Sickness absence levels
- Out-turn against budget
- Useable Reserves: Gross Revenue Expenditure

Further ratios examined:






Council Tax collection  
NNDR collection  
Examination of costs

We have used the Audit Commission's geographical neighbours benchmarking group comprising the following authorities:

East Devon District Council  
Mid Devon District Council  
North Devon District Council  
Taunton Deane Borough Council  
Teignbridge District Council  
Torridge District Council  
Stroud District Council  
West Devon Borough Council  
West Somerset District Council








# Key Indicators of Financial Performance

Area of focus	Summary observations	Assessment
<b>Council Tax collection</b>	Council tax collection rate was 97.56% in 2013/14 which is a marginal decrease on 2012/13 (98.12%) and below the 98% target, but reflects the added difficulties in collecting Council tax following the changes in the Council Tax benefit scheme. Which is a good result, given that Benefit claimants were required to contribute for the first time in 2013/14.	 <b>Green</b>
<b>NDR collection rates</b>	NDR collection rates were 98.4% in 2013/14 which is an increase over 2012/13 (97.56%) and above the 98% target. This represents a good result for the Council.	 <b>Green</b>
<b>Workforce</b>	Sickness has risen from an average of 7.83 days in 2012/13 to 8.64 days per employee, above the 7 days target. This is as a result of a few instances of long term absence.	 <b>Amber</b>
<b>Performance against budgets (Revenue Capital &amp; Savings)</b>	The Council recorded deficit of £163k on the General Fund and surplus of £36k on the HRA. This is very close to budget and demonstrates that the Council has achieved challenging savings targets. In 2013/14 capital expenditure amounted to £5,712k., against the planned capital spend of £10,502k. The three largest areas of slippage related to the building of new Council homes, backlog maintenance and the applications for Private sector housing grants.	 <b>Green</b>
<b>Reserves balances</b>	At 31 March 2014 the Council held reserves of £2,460k on the general fund and £2,004k on the HRA. Planned increases in Earmarked reserves were delivered increasing these balances from £6,157k to £10,456k (General Fund 5,843k and HRA £4,613k) this puts the Council's financial reserves in a good position looking forward.	 <b>Green</b>

## Key Indicators







### Audit Commission Key ratios – Overview

Area of Spend	2013/14	2012/13	Average 2012/13	Commentary (spend per head of population)	Assessment
Working capital ratio	3.33	2.26	2.30	Proportion of current assets to current liabilities. The Council has cover for its current liabilities, although this is less than its nearest neighbours.	 Green
General Fund Balance	£2,460k	£2,623k	£2,022k	General fund balance is low compared to the average, although the balance represents 34 days expenditure on services.	 Green
Usable reserves to Gross revenue expenditure	30%	21%	24%	The Council increased its Earmarked reserves which included £0.7m added to the modernisation reserve.	 Green
Usable capital receipts	£1,071k	£757k	£2,387k	The council has a low level of usable capital receipts compared to its near neighbours. The Council's capital programme is fully funded through the planned use of new homes bonus, if grants are not available.	 Green
Long term borrowing to tax revenue ratio	0.28	0.29	0.13	The council has its own housing stock, consequently its borrowing to finance the assets held is higher than that of most of the neighbouring councils.	 Green

Source – Audit Commission Key ratio profiles

## Key Indicators





### Audit Commission VfM profile – Overview

Area of Spend	2011/12	2012/13	Average 2012/13	Quartile	Commentary (spend per head of population)	Assessment
Total net spend per head	363.43	373.24	417.96	Q1	Spending per head of population is below the Group average	 <b>Green</b>
Spend on council tax benefits and housing benefits administration per head	18.37	16.92	15.12	Q3	Overall administration costs are close to the Group average.	 <b>Green</b>
Spend on culture and sport	60.22	52.08	30.64	Q4	The council operates three leisure centres and 106 parks. This entails a higher amount of activity than similar councils, thus results in higher costs. The Council has prioritised its service provision in this area and that has resulted in above average expenditure per head of population. The Council has also significantly higher income from the service which compares favourably with the Council's neighbours.	 <b>Green</b>
Environmental services	49.72	49.00	45.71	Q4	This reflects the Council's priorities and is not significantly above the average.	 <b>Green</b>
Housing Services	34.33	16.00	13.81	Q3	Homelessness is increasing, but costs remain close to average for the Group.	 <b>Green</b>
Sustainable economy	63.57	64.73	66.59	Q3	Costs are slightly below average.	 <b>Green</b>

Page 59

## Key Indicators

### Audit Commission VfM profile – Financial Resilience

Indicator	2011/12	2012/13	Average 2012/13	Quartile	Commentary	Assessment
Council Tax requirement	6,080k	6,129k	6,360k	Q2	Requirement is falling and is below the Group average.	 Green
Income from Sales, Fees and charges as a % of total spend	16.80%	19.11%	22.39%	Q3	Income is increasing but remains just below the average	 Green
Reserves as a % of net current expenditure	23.70%	21.40%	14.80%	Q1	Reserves are rising against decreasing net cost of services.	 Green
Spend on management and support	47.90%	45.60%	38.00%	Q4	The Council still maintains a Housing Revenue Account and still has in-house leisure services and refuse and recycling provision which means the cost of management and support will be proportionately higher	 Amber

Source – Audit Commission Value for Money profiles

---

# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance






06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 6 of 16

# Strategic Financial Planning

Area of focus	Summary observations	RAG-Rating
<b>Focus of the MTFP</b>	<p>The Council's MTFS and the budget setting processes demonstrate that the Council does not just focus on short term solutions. More emphasis is on continuing savings.</p> <p>The levels of future savings have been measured. Scenario planning concentrates on the savings that can be achieved. However the MTFP does set out the assumptions built into the Council's plans. Cumulative savings of £2,045k are envisaged. over the remaining four years, of this the Council has identified £600k of the £970k needed for 2015/16. Monitoring suggests the council could return a small deficit for 2014/15.</p>	 <b>Green</b>
<b>Adequacy of planning assumptions</b>	<p>The assumptions used in the setting of the MTFP are clearly set out. However, There is no realistic scenario planning, to explore the sensitivity of the assumptions. Although options are explored during the budget setting process. These do consider degrees of delivery, true scenario planning would estimate the effects of parts of the proposed savings plan not occurring.</p> <p>Meetings are held in the summer, . Staff, Members and other interested parties draw up a list of savings, these are discussed by management and members to ensure that they are realistic and achievable. The resulting plan is considered through the Council's cabinet and Scrutiny committees, prior to the Full Council setting a budget.</p>	 <b>Amber</b>
<b>Scope of the MTFP and Links to Annual Planning</b>	<p>The annual budget is derived from the MTFP and is completed as part of the updating of the forecasts. The MTFP covers a five year horizon. Planning starts in the summer , nine months before the start of the financial year, and following discussions and consultation the annual budget and council tax is set in February.</p>	 <b>Green</b>
<b>Review process</b>	<p>The Council monitors the budget on a monthly basis, with a full report to Council. The report includes an updated projection of the year end position. This includes the Council's HRA position</p> <p>Capital and Revenue budgets are included and the report analyses any expected variances, together with any corrective actions identified.</p>	 <b>Green</b>
<b>Responsiveness of the Plan</b>	<p>Future income and the levels of future savings have been measured, , any scenario planning is only around what savings can be achieved. However the MTFP does set out the assumptions built into plans, and these are reasonable and in line with those of other council's. Cumulative savings of £2,045k are envisaged. The Council has identified £600k of the £970k needed for 2015/16. The Council has a good record historically of both meeting its plan and taking action to address unexpected outcomes.</p> <p>The Council monitors the budget on a monthly basis, any deviations, positive or negative, are addressed through an action plan, After quarter one for 2014/15 the council is predicting a small deficit for 2014/15.</p>	 <b>Green</b>

---

# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance





06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 63

# Financial Governance

Area of focus	Summary observations	RAG-Rating
<b>Understanding of the financial environment</b>	<p>Management have a depth of understanding of the current financial environment, the budget, savings plans and MTFS are developed through the management team.</p> <p>The reporting of the Council's financial position and challenges is regularly discussed by management and reported through committee as part of budget reports and the MTFS.</p> <p>The Council has various sources of revenue. It has retained leisure and refuse and recycling services in house.</p> <p>The Council are aware of the statutory duties, these are a fundamental part of the budget setting.</p> <p>Each consideration of financial plans and monitoring is accompanied by a report that sets out the current financial background and managements expectations for the future.</p>	 <b>Green</b>
<b>Executive &amp; Member Engagement</b>	<p>The S151 officer is part of the management team and therefore has an oversight of all major decisions and actions. A member of the management team is in attendance at all Council meetings.</p> <p>Budget timetable ensures that there is consultation with both stakeholders and staff.</p> <p>The Audit and Scrutiny Committees are challenging management on planning and reporting.</p> <p>However, there have been some challenges, externally and from within the Council, over its decisions and whether value for money is being achieved. This may suggest that some members and stakeholders currently do not feel engaged in the control and governance of the Council.</p>	 <b>Amber</b>
<b>Overview for controls over key cost categories</b>	<p>The budget, savings plans and MTFS are developed through the management team. Monitoring is on a monthly basis to members..</p> <p>The action plan in response to issues arising is monitored through management team.</p>	 <b>Green</b>
<b>Budget Reporting (Revenue &amp; Capital)</b>	<p>monthly reporting to members includes the full budget, general fund, HRA and capital plans.</p> <p>The report analyses any expected variances, together with any corrective actions identified.</p>	 <b>Green</b>



---

# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance






06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 63

# Financial Control

Area of focus	Summary observations	RAG-Rating
<b>Budget setting &amp; monitoring - revenue &amp; capital</b>	<p>The Council does not rely on one-off or short term gains.</p> <p>Identified savings are currently sustainable and there is no planned reliance on usable reserves to achieve savings plans.</p>	 <b>Green</b>
<b>Savings plans setting &amp; monitoring</b>	<p>Savings plans are discussed ahead of each planning cycle. Meetings are held through the summer, Staff, members and other interested parties draw up a list of savings, these are discussed by management and members to ensure that they are realistic and achievable.</p> <p>The resulting plan is considered through committees, prior to setting a budget.</p>	 <b>Green</b>
<b>External audit conclusions</b>	<p>External audit have currently not raised any high priority recommendations over internal or financial controls in recent years.</p>	 <b>Green</b>
<b>Finance department resourcing</b>	<p>The Finance team has undergone a minor restructure in 2013 to ensure that the department has sufficient capacity to function effectively.</p> <p>As savings are achieved and resources become stretched, plans are always difficult to achieve, however, neither internal audit or external audit have raised significant control issues.</p>	 <b>Green</b>
<b>Assurance framework/risk management processes</b>	<p>Risk management and the assurance processes are continuing to develop.</p> <p>Risk management is routinely monitored and reported quarterly. The risks are discussed by members.</p> <p>The assurance framework, including the preparation of the Annual Governance Statement, has been reviewed and was found to be robust.</p>	 <b>Green</b>

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# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance





06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 67

# Prioritising Resources

Area of focus	Summary observations	RAG-Rating
<b>Leadership and challenge in prioritising resources</b>	<p>Management team receive and assess the in year savings. These are analysed to ensure there is a strategic fit with the Council's priorities. Meeting the budget is monitored and reviewed by management team and subsequently by members.</p> <p>Corporate plan links to MTFs and the annual budget follows through. Regular reviews and monitoring ensure that the Council remains responsive</p> <p>Service managers are encouraged to find savings, including looking at alternative delivery methods. The Council has worked with other Council's (Torrige, North Devon and East Devon), Leisure services had been outsourced, however, the Council decided that the service gave best value being provided by the Council. Alternatives are always considered. These have been monitored and assessed.</p>	 <b>Green</b>
<b>Consultation with key stakeholders</b>	<p>Staff consultation is informal, done in team meetings, reported in newsletter ,briefings to senior officers forum twice a year. Service managers and supervisors are involved in the first round of identifying savings.</p> <p>Consultation includes staff. The newsletter allows opportunities for input. Department managers are encouraged to include staff in the identification of savings</p>	 <b>Green</b>
<b>Basis for decision making</b>	<p>Management team consider all proposals and ensure evidence and support is provided</p> <p>A cost/benefit analysis as the focus is on reducing spend, rather than service reduction. Few additional services have been planned.</p>	 <b>Green</b>
<b>Understanding impact and outcome of decisions</b>	<p>Management team consider the impact of cuts to ensure unintended consequences don't occur. Monitoring of the budget against actuals by management ensure that any significant effect is identified and addressed.</p> <p>Each Committee and PDG monitors its area of the budget to review the impact of plans.</p>	 <b>Green</b>

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# Contents

01 Introduction

02 Executive Summary

03 Key Indicators of Financial Performance

04 Strategic Financial Planning

05 Financial Governance




06 Financial Control

07 Prioritising Resources

08 Improving Efficiency & Productivity

Page 69

# Improving Efficiency & Productivity

Area of focus	Summary observations	RAG-Rating
<b>Understanding costs</b>	<p>The Council understands its costs and income streams. These are analysed in depth as part of the ongoing identification of savings. Some benchmarking is undertaken by finance and there is a quarterly performance report that focuses on targets and the Council's achievements.</p>	 <b>Green</b>
<b>IT Systems and Data quality</b>	<p>Neither Internal audit or the External auditor has raised concerns over the operation of the IT systems. Neither has there been any issues raised over the quality of the Council's data.</p>	 <b>Green</b>
<b>Delivery of Savings and Service re-design</b>	<p>The Council has met its budget and exceeded its savings target in the past three years, and achieved its Identified savings. Future savings plans are focused on achievable outcomes.</p> <p>Plans are detailed and there is no reliance on ad-hoc one-off wins. The Council does not rely on its reserves to bridge savings gaps.</p> <p>The Council has not used its reserves to fund its Revenue budget in 2013/14. In recent years the budget has always been achieved.</p>	 <b>Green</b>

Page 7



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# The Annual Audit Letter for Mid Devon District Council

Year ended 31 March 2014

24 October 2014

Page 73

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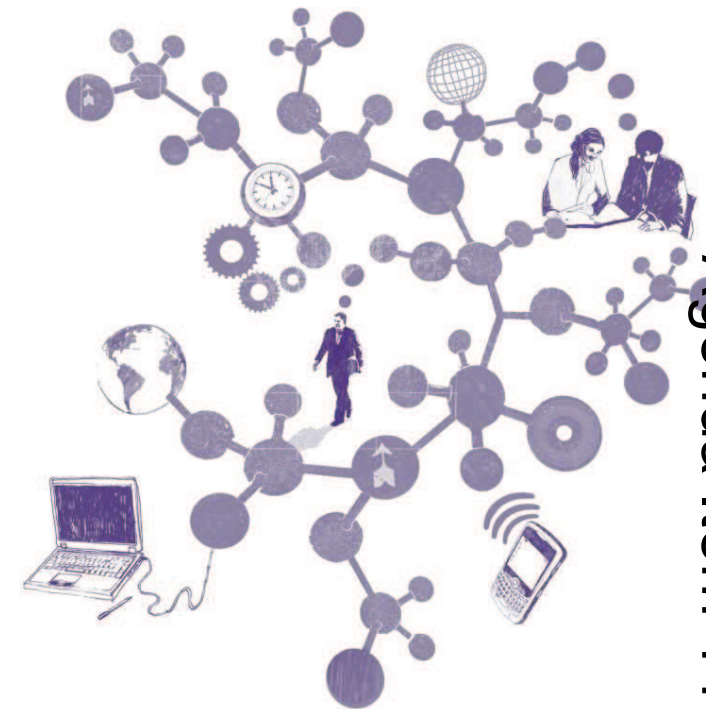
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Agenda Item 11.

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# Contents

## **Section**

## **Page**

1. Key messages

3

## **Appendices**

A Key issues and recommendations

B Summary of reports and audit fees

Page 74

# Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Mid Devon District Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit committee on 27 May 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

<p><b>Financial statements audit (including audit opinion)</b></p> <p>Page 75</p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September 2014 to the Audit Committee. We identified two adjustment affecting the Council's disclosures in the primary statements:</p> <ul style="list-style-type: none"> <li>• the presentation of the pension fund accounting adjustments in the Comprehensive Income &amp; Expenditure account did not conform to the updated code requirements; and</li> <li>• the cash flow statement analysis was restated to include items in the correct category.</li> </ul> <p>Both statements were amended and the appropriate disclosure notes updated.</p> <p>There were no unadjusted errors.</p> <p>We issued an unqualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.</p>
<p><b>Value for Money (VfM) conclusion</b></p>	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014.</p> <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>

# Key messages

<b>Whole of Government Accounts</b>	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.</p>
<b>Certification of grant claims and returns</b>	<p>We are required to certify two certification returns for the Council, the Housing Benefit and Council Tax Benefit subsidy for 2013/14 (HB subsidy), and the Pooling of Capital Receipts claim (Pooling). At the time of writing this Letter, work is ongoing on the HB subsidy claim and we expect to report to the Department of Works and Pensions by the 30 November 2014 deadline. The Pooling claim was certified with one amendment. We will report on the outcome of all certification work in a separate report.</p>
<b>Audit fee</b>	<p>Our fee for 2013/14 is £62,700, excluding VAT, for the main audit. A fee variation of an additional £900 is currently being agreed with the Audit Commission. There is no longer a certification requirement in respect of business rates; (LA01), which resulted in the need for additional audit work on material business rates balances and the disclosures within the financial statements. The fee variation represents the equivalent to 50% of the average cost by council type of LA01 certification in 2012/13.</p>
<b>Audit Certificate</b>	<p>In the Audit Committee meeting on the 23 September 2014, we explained that we could not formally conclude the audit on that date and issue an audit certificate until we had completed our consideration of matters brought to our attention by local authority electors, as follows:</p> <ul style="list-style-type: none"> <li>• A challenge to the decision making process followed in the decision to relocate the Tiverton Tourist information centre; and</li> <li>• A challenge to the legality of the Council's decision to vary a car parking order.</li> </ul> <p>We were satisfied that these matters did not have a material effect on the financial statements or a significant impact on our value for money conclusion.</p> <p>We plan to conclude our work by 31 October 2014 when we will be in a position to issue the certificate.</p>

Page 76

# Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2013/14 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>It was noted that payroll was still administered by one individual. Further, from discussions with members of the finance and HR teams, there appeared to be insufficient medium term contingencies should that member of staff leave or become ill.</p> <p><b>Recommendation:</b></p> <p>We recommended that there be segregation of duties within the payroll department whereby one member of staff is not wholly responsible for the processing of all the payroll.</p>	Medium	<p>In the short term a robust contingency plan has been put in place, to ensure that, both payroll is submitted on time and relevant returns are sent to HMRC, should issues arise with the member of staff currently responsible for preparing the payroll.</p>

Page 77

# Appendix B: Reports issued and fees

We confirm below the fee charged for the audit and provision of non-audit services.

## Fees

	Per Audit plan £	Actual fees £
Audit Fee*	62,700	63,600
Grant certification fee	9,474	9,474
<b>Total fees</b>	<b>72,174</b>	<b>73,074</b>

## Fees for other services

Service	Fees £
None	n/a

\*The audit fees are set by the Audit Commission. As there is no longer a certification requirement in respect of business rates; LA01), there is a need for additional audit work on material business rates balances and the disclosures in the financial statements. The Audit Commission is currently in the process of approving the fee variation for this work equivalent to 50% of the average cost by council type of LA01 certification in 2012/13. The fee variation applicable to Mid Devon District Council is £900 to cover the additional work required.

The Audit fee cannot be finalised until our consideration of matters brought to our attention by local authority electors have been concluded.

## Reports issued

Report	Date issued
Audit Plan	27 May 2014
Grant certification work plan	27 May 2014
Audit Findings Report	23 September 2014
Certification report	December 2014
VfM – Financial Resilience Report	November 2014
Annual Audit Letter	24 October 2014



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# Mid Devon District Council Audit Committee Update

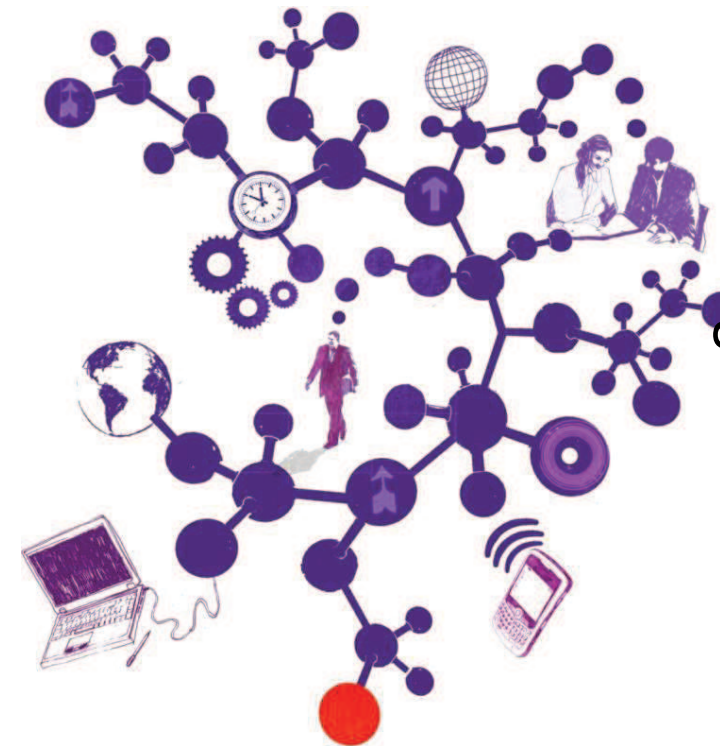
Year ended 31 March 2015

2 December 2014

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Agenda Item 12.

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

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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 18 November 2014	5
Emerging issues and developments	7

Page 83

# Introduction

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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths
- Responding to the challenge – Alternative Delivery Models in Local Government

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 Audit Manager.

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# Position at 18 November 2014

Work	Planned date	Complete?	Comments
<p><b>2014/15 Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014/15 financial statements.</p>	24 March 2015	No	Initial planning work will be undertaken to enable the audit plan to be presented at the March Audit Committee.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed work for the Value for Money conclusion.</li> </ul>	February/March 2015	No	Our initial review of the Council's control's and our early substantive testing will be undertaken in February/March 2015.
<p><b>2014/15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014/15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	Summer 2015	No	The audit of the 2014/15 financial statements will be undertaken in July and August 2015 and reported to the September Audit Committee to meet the 30 September 2015 deadline.

## Position at 7 November 2014 (continued)

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises a review of whether the Council has:</p> <ul style="list-style-type: none"> <li>• <b>proper arrangements in place for securing financial resilience.</b> The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</li> <li>• <b>proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b> The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	February 2015 to September 2015	No	<p>An interim risk assessment will be made as part of the Audit planning in February 2015.</p> <p>The detailed work will continue through to September 2015, when we are required to give our VfM conclusion.</p>
<p><b>Other areas of work</b></p> <p><b>Certify the Council's WGA accounts</b></p> <p><b>Grant claims and certification.</b></p> <p>We anticipate that the claims that will require certification for 2014/15 will be the Housing benefit and council tax subsidy and the Pooling of Capital Receipts return.</p>	<p>September 2015</p> <p>June 2015 November 2015</p>	<p>No</p> <p>No</p>	<p>Work will commence in September 2015</p> <p>Work will commence in June 2015 and be completed in November 2015.</p>

# Emerging issues and developments

## Code changes – have your say

### Accounting and audit issues

At the end of July, CIPFA/LASAAC released the [2015/16 Code of Practice on Local Authority Accounting in the United Kingdom](#) (the Code) Exposure Draft (ED) and Invitation to Comment (ITC) for public consultation. The changes proposed in the ITC include:

- IFRS 13 fair value measurement: the proposed approach would result in remeasurement of property, plant and equipment assets that do not provide service potential for the authority. IFRS 13 also applies to assets and liabilities covered by those IFRS standards that currently permit or require measurement at fair value (with some exceptions) and will have an impact on the reporting of, for example, financial instruments and investment properties.
- Other amendments to IFRSs: including the accounting treatment of pensions' contributions
- IFRIC 21 Levies (ie levies imposed by governments)
- Changes to UK GAAP particularly relating to Heritage Assets
- Other minor and drafting amendments.

The consultation closed on Friday 10 October 2014. The final version of the updated code will be issued shortly.

CIPFA/LASAAC have also launched a second stage consultation on [simplifying and streamlining the presentation of local authority financial statements](#). This will be issued before the preparation of the 2014/15 financial statements

# Emerging issues and developments

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## CIPFA LAAP updates

### Accounting and audit issues

CIPFA have issued the following LAAP Bulletins:

- [LAAP bulletin 99](#) Local Authority Reserves and Balances – provides guidance on the establishment and maintenance of local authority reserves and balances.
- [LAAP bulletin 100](#) Project Plan for Implementation of the Measurement Requirements for Transport Infrastructure Assets by 2016/17 – provides an outline project plan to help authorities looking to develop their own project plans for the implementation of the 2016/17 Code requirements for accounting for infrastructure assets.

### Challenge questions

The Committee may want to ask: Has your Head of Finance reviewed the guidance and assessed the potential impact for Mid Devon District Council?

Page 88



## Where Growth Happens

### Grant Thornton

Our national report 'Where Growth Happens' is available at: [http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

As the UK emerges from recession, increasing attention is being given, both nationally and locally, as to how to accelerate economic sector growth. Our report presents the findings of research undertaken by our Place Analytics team on the dynamics of local growth. It will give FDs and CEOs of local authorities and LEAs:

- an insight into the geographic areas of high growth and dynamic growth (ie the quality of growth)
- an understanding of the characteristics of both growing and dynamic places to help frame policy and sustain future growth
- an understanding of growth corridors and their implications, not only for UK policy makers, but also for those locally sitting within and outside the corridors
- an insight into the views of different leaders charged with making growth happen in their locality.

The report provides a ranking of English cities according to their economic growth over an eight year period (2004 – 2012). Outside of London – which maintains eight of the top 10 best performing districts overall – it places Manchester, Birmingham and Brighton and Hove in the top three, as measured by economic, demographic and place (dwelling stock and commercial floor space) growth.

The analysis also assesses the quality of local growth - or 'dynamism' - to identify areas with a vibrant and dynamic economy capable of supporting future expansion, based on five key drivers. London again tops the ranking, with nine out of the top 10 dynamic growth areas. Outside the capital, Cambridge, Reading and Manchester top the list of future sustainable growth.

Based on this analysis of past progress and future prospects, our report reveals a number of 'growth corridors' – functional and large scale local economic areas in England – which are playing a significant role in the country's overall growth levels. Though predominantly stemming from London, the intra-city growth corridors include a number of other large cities at their core, creating a network of key strategic linkages between high growth and dynamic areas.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

## New routes to housing development

### Grant Thornton

We have issued the first in a series of good practice papers on topical issues for local government.

This paper considers good practice in councils' approaches to delivering affordable housing. Until recently, local authorities have acted as an enabler of new affordable housing; increasingly they are now undertaking a direct delivery role. Delivery routes vary and must be structured with the council's objectives and capacity in mind as there is no 'one size fits all' approach. The paper considers the benefits and challenges of council owned housing companies, including:

- Setting and delivering objectives
- Identifying optimal funding routes
- Assessing viability and working with others

The paper stresses the importance of a properly developed business case and business plan to support the setting up of a housing company.

Copies of our good practice paper are available from your engagement lead or audit manager.

# Emerging issues and developments

## Anti - fraud and corruption update

### Grant Thornton

Key current issues include:

**Single Fraud Investigation Service (SFIS)** - The SFIS will bring together all investigative capacity in relation to benefits and tax credits under the control of the Department of Work and Pensions. However a number of local authorities have expressed concern that such a transfer will cause them to lose the capacity to readily investigate other issues such as employee fraud and corruption allegations.

**Corruption risk** - In 2013 Transparency International (TI), the world's leading non-governmental anti-corruption organisation, published a report on corruption in UK Local Government. It identified twelve key risk areas covering public procurement, control over outsourced services, personnel transferring between local authorities and companies bidding to provide services, planning issues, collusion in housing fraud and manipulation of electoral registration. TI expressed concern that Audit Committees were unable to fulfil the function of reducing risks in many authorities.

**Non-benefits fraud** - There are striking differences between the identification of benefit and non-benefit fraud within local government. The Audit Commission has reported that 79 district councils did not detect a single non-benefit fraud whereas only 9 councils among all London boroughs, metropolitan districts and unitary authorities reported non-benefit frauds. Procurement fraud in particular is consistently estimated as accounting for the largest losses to fraud within local government. In its most recent Protecting the Public Purse publication the Audit Commission estimated annual losses at £876 million, representing 1% of total procurement spend.

Our Forensic Investigation Services provide a range of services to local authorities including fraud prevention and detection. If you are interested in a further discussion on these areas please contact your audit manager.

## Right to report

### Local government guidance

The Local Government Minister signed a signed a Parliamentary order on 6 August 2014 allowing the press and public to film and digitally report from all public meetings of local government bodies. The new rules will apply to all public meetings, including town and parish councils and fire and rescue authorities. The Local Government Secretary, Eric Pickles, said:

*"Half a century ago, Margaret Thatcher championed a new law to allow the press to make written reports of council meetings. We have updated her analogue law for a digital age... This will change the way people see local government, and allow them to view close up the good work that councillors do"*

## Auditing Parish Councils

### Local government guidance

On 17 July 2014 the Audit Commission wrote to the Department for Communities and Local Government (DCLG) to express its concerns about the complexity of the government's new arrangements for parish council audits. Responding to DCLG's consultation on local audit regulations, the Commission suggests they will place a much greater burden on parish councils and their clerks than the government intends.

Currently all circa 10,000 parish Councillors have an Audit Commission appointed auditor. Post Audit Commission closure, scheduled for March 2015, new arrangements are due to come into place from 2017. Under the new arrangements the default option for all parishes will be to appoint their own auditors, with fees set by the market, although:

- auditors at parishes below a certain size, and subject to other prescribed conditions, will not carry out work unless members of the public ask questions or make objections – instead parishes in this category will have to publish specified information on their own website or the website of their district council;
- if a sector led body comes forward, and is accepted by the government, parishes can opt for this body to appoint their auditors for them.

The Audit Commission's Chairman, Jeremy Newman said that

- “we need to find a way to overcome some fundamental practical problems about how smaller local authorities, such as parish councils, should be held to account;
- the government wants high quality and cost-effective assurance that promotes transparency. It is trying to reduce the burden on authorities, but its proposals will do the opposite. The government needs to either keep the current assurance arrangements in place, or accept that the small spending levels of these bodies, coupled with their closeness to their communities, means that external audit is disproportionate.”

## Managing council property assets

### Local government guidance

The Audit Commission has issued its briefing paper **Managing Council Property Assets: Using Data from the VFM Profiles**

In the paper the Audit Commission:

- advocates that councils should be active and strategic managers of their estates – understanding property markets and asking questions about the properties they own or lease,
- prompts councils to consider whether assets are in the right place, whether they should keep, sell, or transfer them, and how much they should invest in building, buying and maintaining property,
- invites local authorities to balance the value realised through sales of surplus assets, against the cost of maintaining them.

The background to the briefing is the collation of information from the government's capital outturn return which identifies that the local government estate has a net book value of £169.8 billion of which £2.5 billion have been classified as 'surplus' assets. In this context the Audit Commission is calling on councils to ensure they have a strategic approach to managing these assets, in order to get the best value for money they can from this portion of the local government estate. The Audit Commission Chair, Jeremy Newman said:

*"we are neither advocating that local government starts a wholesale sell-off of their land and property nor are we suggesting councils shouldn't spend money on buying assets or on investment to improve their existing property. What we are highlighting is a group of assets that do not provide immediate benefit to local communities, but still require councils to spend money on maintaining them. These assets have potential value for councils. While not all such land or buildings may be sellable, councils should consider how much value they gain from surplus assets and how this could be increased. I urge councils to use the data held in the Commission's 'Value for Money (VFM) Profiles Tool', such as spending on and value of land and property assets and 'surplus' assets, alongside their unique and detailed local knowledge, to regularly review if their estate is fit-for-purpose."*

### Challenge question

- The Committee may want to ask whether members are satisfied that the Council has adequate management arrangements in place to ensure its property assets are being efficiently and effectively managed.

# Emerging issues and developments

## The National Fraud Initiative

### Local government guidance

On 12 June 2014 the Audit Commission released its national report, [The National Fraud Initiative \(NFI\): National Report \(June 2014\)](#) highlighting that its data matching exercise has identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since it last reported in May 2012. The Chairman of the Audit Commission, Jeremy Newman said;

*"We publish a report from the NFI every two years and continue to produce great results. The national figure for identified fraud, error and overpayment, that would otherwise be lost to the taxpaying public, is down by £46 million compared to the previous report although the number of cases has increased by nearly 20 per cent. This is great news if, as we believe, it is due to improving detection rates. However, we cannot be complacent. The more participants in the exercise, the richer the data for everyone involved and the harder it is for fraudsters to hide from detection".*

The Audit Commission's National Fraud Initiative will move to the Cabinet Office in April 2015 to secure the continuation of the counter fraud data matching initiative which over its 18 year history has identified over £1.17 billion in fraud, error and overpayment .

A copy of the report for Mid Devon is attached as a separate item to this agenda.



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**AUDIT COMMITTEE  
2 DECEMBER 2014**

**AGENDA ITEM: 13**

## **Taking action against Councillors**

**Cabinet Member:** Cllr Clive Eginton  
**Responsible officer:** Kevin Finan, Chief Executive

**Reason for Report:** To address the resolution of a meeting of the Standards Committee held on 28 August 2014, namely “to ask officers to provide a constitutional amendment which clarifies who can take action against Councillors, under what circumstances and to establish a right of appeal.”

**RECOMMENDATION:** That the Audit Committee note the clarification provided in this report.

**Relationship to Corporate Plan:** None

**Financial Implications:** None

**Legal Implications:** These are explained within this report.

**Risk Assessment:** The Chief Executive, as Head of Paid Service, has overall operational responsibility for the security of the Council’s assets and staff. In exercising that responsibility, risk assessments are made to maintain and ensure a safe, secure working environment to undertake the functions of the Council.

### **1.0 Introduction**

- 1.1 The Standards Committee considered motion 480 by Cllr Mrs Roach that “this Council resolves to clarify who has the authority to take disciplinary actions against councillors and under what circumstances such action can be taken” on 4 June 2014.
- 1.2 Consideration centred on the decision of the Chief Executive to exclude two elected members from having free access to the operational areas of the Council’s offices.
- 1.3 Legal advice was submitted to explain the provisions within the Constitution.
- 1.4 Members of the Standards Committee accepted that the exclusion exercised by the Chief Executive was outside the scope of its powers to deal with Elected Member behaviour.
- 1.5 Officers have been asked to provide the Audit Committee with a constitutional amendment which clarifies who can take action against Councillors, under what circumstances and to establish a right of appeal.
- 1.6 The framework in respect of taking action against Councillors is set out below. Action that is taken to discipline Councillors for breaches of the Code of Conduct is dealt with by the Monitoring Officer and Standards Committee.

Action taken in respect of operational issues is dealt with through the exercise of executive functions which is delegated according to the constitution.

## **2.0 Standards Committee related issues**

2.1 In accordance with the Constitution (Article 6.13), the Standards Committee has the following functions;

- (a) Promoting and maintaining high standards of conduct by Councillors and co-opted Members;
- (b) Assisting the Councillors and co-opted Members to observe the Member's code of conduct, copy attached at Appendix 1;
- (c) Advising the Council on the adoption or revision of the Members' Code of Conduct;
- (d) Monitoring the operation of the Members' Code of Conduct;
- (e) Advising, training or arranging to train Councillors and co-opted Members on matters relating to the Members' Code of Conduct;
- (f) Granting some dispensations to Councillors and co-opted Members from requirements relating to interests set out in the Members' Code of Conduct;
- (g) Dealing with any reports from a case and any other report from the Monitoring Officer on any matter;
- (h) Exercising of the above in relation to the parish councils wholly or mainly in its area and the members of those parish councils;
- (i) Overview of complaints handling and Ombudsman investigations; and
- (j) Overview of the Constitution.

2.2 If a Member breaches the Code of Conduct, the Standards Committee has the authority to consider the matter and take action if deemed appropriate.

## **3.0 Operational management related issues**

3.1 Functions which are the responsibility of the Executive are determined in accordance with Section 13 of the Local Government Act 2000 (the Act). The following subsection is relevant;

3.1.1 *13(2) Subject to any provision made by this Act or by any enactment which is passed or made the day on which this Act is passed, any function of a local authority which is not specified in regulations under subsection (3) (Arrangements made by the Secretary of State) is to be the responsibility of an executive of the authority under executive arrangements.*

- 3.2 No regulations have been made in respect of who has the discretion to decide who can enter the Council offices. Ownership and management of land and property includes the right to exclude and so the power to exclude is an executive responsibility.
- 3.3 Section 15 of the Act addresses the discharge of functions where there is a leader and cabinet executive;
- 3.3.1 *Subject to any provision made under section 18, 19 or 20, (area committees, other local authorities, joint committees) any functions which, under executive arrangements, are the responsibility of a leader and cabinet executive are to be discharged in accordance with this section.*
- 3.3.2 *The executive arrangements may make provision with respect to the allocation of any functions which are the responsibility of the executive among the following persons:*
- (a) The executive*
  - (b) Any member of the executive*
  - (c) Any committees of the executive, and*
  - (d) Any officers of the authority.*
- 3.3.3 *If the executive arrangements make such provision as is mentioned in subsection (2), any person to whom a function is allocated in accordance with that provision may discharge the function.*
- 3.4 Article 11 of the Constitution provides that the Chief Executive has overall operational responsibility (including overall management responsibility for all officers) delegated to him. Therefore the Chief Executive has authority in accordance with the Constitution to decide who can enter or be removed from the Council's offices.

#### **4.0 Conclusions**

- 4.1 The powers of the Standards Committee under the current standards regime are very restricted and allow for only limited action to be taken against councillors. A constitutional amendment to clarify these actions is not proposed as any amendment can only repeat the current legislative powers.
- 4.2 The operational management responsibility falling to the Head of Paid Service is diverse and extensive. Individual judgements need to be made in different circumstances according to the needs of the Council and the perceived risks presented.
- 4.3 While it is clear from 3.4 above that the Chief Executive can be perceived to take action against councillors in the exercise of his operational management responsibilities, it is not reasonable or feasible to set out all of the possible circumstances which may give cause for such action.
- 4.4 Should any Councillor be subject to action taken by the Chief Executive, as explained above, then any review should be made to the Chief Executive as the person responsible for the security and safety of all of the Council's assets.

4.5 Should it be considered that the actions taken by the Chief Executive are unreasonable or unjustified, these concerns should then be addressed through the Leader, as line manager of the Chief Executive, or through the Chief Executive's annual appraisal.

**Contact for more Information:** Kevin Finan, 01884 234234  
[kfinan@middevon.gov.uk](mailto:kfinan@middevon.gov.uk) or Amy Tregellas, 01884 234246  
([atregellas@middevon.gov.uk](mailto:atregellas@middevon.gov.uk))

**Circulation of the Report:** Management Team, Councillor Clive Eginton

**List of Background Papers:** none