

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 24 March 2015 at 6.00 pm
Exe Room, Phoenix House

Next ordinary meeting
Tuesday, 23 June 2015 at 6.00 pm

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. **Minutes of the previous meeting** (*Pages 5 - 10*)
To approve as a correct record the Minutes of the meeting held on 27 January 2015 (copy attached).
4. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
5. **Code of Corporate Governance** (*Pages 11 - 22*)
To receive a report from the Head of Communities and Governance presenting the Committee with the updated Code of Corporate Governance.

6. **Risk and Opportunity Management Strategy** (Pages 23 - 34)
To receive a report from the Head of Communities and Governance presenting the Committee with the updated Risk and Opportunity Management Strategy for approval.
7. **Progress update on the Annual Governance Statement Action Plan** (Pages 35 - 40)
To receive a report from the Head of Communities and Governance providing the Committee with an update on progress made against the 2013/14 Annual Governance Statement Action Plan.
8. **Performance and Risk for the first three quarters of 2014-15** (Pages 41 - 58)
To receive a report from the Head of Communities and Governance providing Members with an update on performance against the corporate plan and local service targets for 2014/15 as well as providing an update on any key business risks.
9. **Internal Audit Progress Report** (Pages 59 - 66)
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.
10. **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).

11. **Internal Audit Strategy 2015/16** (Pages 67 - 74)
To receive a report from the Audit Team Leader presenting the Committee with the Internal Audit Strategy for the 2015/16 financial year.
12. **Strategic Audit Plan for 2015/16** (Pages 75 - 78)
To receive a report from the Internal Audit Team Leader presenting the Strategic Audit Plan for 2015/16 to 2016/17 and detailed Audit Work Plan for 2015/16.
13. **External Audit Committee update** (Pages 79 - 86)
To receive a report from the External Auditors providing an update on delivering their responsibilities.
14. **External Audit Plan for 2015/16** (Pages 87 - 100)
To receive a report from the External Auditors setting out their approach to the planned Audit for the year ended 31 March 2015.
15. **Chairman's Annual Report for 2014/15**
To receive the Chairman's annual report on the work of the Committee since May 2014 which will be submitted to Council on 29 April 2014 (report to follow).

Kevin Finan
Chief Executive
Monday 16 March 2015

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

E-Mail: slees@middevon.gov.uk

Public Wi-Fi is available in all meeting rooms.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 27 January 2015 at 6.00 pm

Present

Councillors: R Evans (Chairman)
M D Binks, R M Deed and F R Rosamond
(Vice Chairman)

Apology

Councillor: R Wright

Also Present

Councillor: P H D Hare-Scott

Also Present

Officers: Andrew Jarrett (Head of Finance), Amy Tregellas (Head of Communities and Governance and Monitoring Officer), Catherine Yandle (Internal Audit Team Leader) and Sarah Lees (Member Services Officer)

Also in

attendance: S Johnson (Grant Thornton)

63. **PUBLIC QUESTION TIME**

There were no members of the public present at the meeting.

64. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Special Meeting held on 10 December 2014 were approved as a correct record and **SIGNED** by the Chairman.

65. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

66. **WASTE PERFORMANCE - 2014/15 (00:02:05)**

The Committee had before it, and **NOTED**, a report from the Head of Finance updating them on Waste performance during 2014/15.

At the meeting on 23 September 2014 the Committee had requested that more information be provided to them on route optimisation and missed collections. The Head of Finance summarised the rationale behind the route optimisation scheme and the proposed new Waste and Recycling scheme. When the budget for Waste was set for 2014/15, it had included circa £65k of savings that were estimated to be delivered once the new routes were implemented from the findings of the new route optimisation. These savings were based on the removal of 4 rural rounds and related to savings on vehicle mileage repairs, maintenance and labour. It was established

fairly soon after removing these rounds that this was not going to be operationally practical and soon after the new changes had been implemented, the rounds had to be re-commenced and hence the Council had not been able to deliver this estimated saving.

Discussion took place regarding:

- The negative effect on the Council's reputation due to missed collections in 2014 and a perceived loss of faith in the Council's waste service at that time;
- The lessons that could be learned for the future, for example, not just relying on software tools but also talking to the waste operatives themselves who had the knowledge 'on the ground'.

67. PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:14:01)

The Committee had before it, and **NOTED**, a report * from the Head of Communities and Governance providing them with an update on progress made against the 2013/14 Annual Governance Statement Action Plan.

Discussion took place regarding:

- Performance Management guidance would be brought to the Audit Committee meeting on 24 March 2015.
- The Emergency Plan was currently being rewritten.
- The Council needed to be better at succession planning.
- A report from the Constitution Working Group presenting the amendments needed to the Constitution for the new Council would be presented to full Council on 29 April 2015.
- New Member training had already been booked for the induction programme commencing after the election.

68. INDEPENDENT REVIEW OF INTERNAL AUDIT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS) (00:20:56)

The Committee had before it a report * from the Head of Communities and Governance (HoCG) providing them with details of the independent review undertaken which assessed the Internal Audit Service against the criteria in Public Sector Audit Standards (PSIAS).

The consultant had given a very good opinion on the Internal Audit Service, however, discussion took place regarding a few areas of concern which had been highlighted within the independent report:

- IT Auditing – the Committee were informed that the Internal Audit Team Leader was looking at an alternative training module and would progress this shortly.
- It was confirmed that risk assessments were carried out against all audits it was just that they had not been reported within the Audit Plan.
- Whilst the Internal Audit team managed and oversaw the SPAR performance management software, they did not directly input data into the system

themselves, this was the responsibility of service managers. Therefore this was considered a minor risk and this was echoed by the external auditor.

RESOLVED that the contents of the external consultant's report in respect of the review of Internal Audit against the Public Sector Internal Audit Standards be endorsed.

(Proposed by the Chairman)

69. **INTERNAL AUDIT PROGRESS REPORT (00:36:00)**

The Committee had before it, and **NOTED**, a report from the Internal Audit Team Leader updating them on the work performed by Internal Audit for the 2014/15 financial year. The Committee were informed that all core audits would be completed by 31 March 2015.

Discussion took place regarding each of the Internal Audit reports Committee Members had received since the last meeting:

Car Park income

It was confirmed that the Council only collected the income for the Tiverton Hospital site, it did not retain this income.

There was a mis-match between the actual cost for an annual long stay car park permit and the decision of the Cabinet Working Group compared with the information given on the website. This needed to be corrected as soon as possible.

VAT

There had been a mistake in the calculation of Input VAT in the leisure area for 2011/12. The recommendation, which had been agreed by the Head of Finance, was that VAT calculations be checked by a qualified accountant before submission to HMRC in future.

Time Recording

- Not all Council employees could use the Wintime system. For example, repairs and maintenance officers and waste operatives worked under job and finish arrangements;
- The Head of Communities and Governance informed the Committee that where an officer failed to clock out for lunch they were deducted 1 hour from their flexitime, this had the effect of ensuring officers record their time over the lunchtime period correctly. Also as well as receiving monthly reports, managers could also access the system at any time to see what times were being recorded against their members of staff;
- Some managers had not been receiving anomaly reports, this had now been corrected. In addition, after the Wintime upgrade, it would be up to managers to approve time reconciliations not Customer First.
- With the reduction in staff resource and the need on occasion for officers to work longer hours it might be possible in the future for officers to convert any flexitime over the existing limits to be converted into TOIL.

- The Council had to comply with government imposed changes to employment legislation, this was not optional.
- Flexitime could be a benefit to the business, for example, evening meetings.
- If Members had a problem getting through to speak to an officer then they needed to bring it to the attention of the Head of Service.

Discussion also took place regarding the outstanding high priority recommendations within the Audit Team Leader's report particularly in the area of Procurement. Concern was expressed that the post of Corporate Procurement Manager was not being back filled whilst the current post holder was on maternity leave. The Head of Finance had felt that the cost of filling this post temporarily could not be justified given the budget situation and he had felt that adequate arrangements existed to procure goods and services to cover this period before her return.

It was **AGREED** that a report be brought back to the Committee setting out the background and implications of flexible working arrangements.

70. **INTERNAL AUDIT REPORTS (01:18:00)**

Discussion regarding Internal Audit Reports had taken place under the previous item.

71. **DRAFT STRATEGIC AUDIT PLAN FOR 2015/16 (01:18:48)**

The Committee had before it, and **NOTED**, a report * from the Internal Audit Team Leader presenting the Draft Strategic Audit Plan for 2015/16.

Discussion took place regarding the figure stated as the income for markets and whether this included an additional £50k recently identified as needing to be found. It was confirmed that the figure stated as £150k did not include this additional £50k.

72. **PERFORMANCE AND RISK FOR THE FIRST TWO QUARTERS OF 2014-15 (01:22:35)**

The Committee had before it, and **NOTED**, a report * from the Head of Communities and Governance providing it with an update on performance against the Corporate Plan and local service targets for 2014/15 as well.

Discussion took place regarding:

- The Council being in a better position to know whether it could meet the target of 20% for dry recycling once the results of the Waste and Recycling trial were known.
- It was confirmed that under the indicators for Decent and Affordable Homes, 'unlettable' days meant 'voids'.

The following position as at the end of quarter three was provided with regard to empty shops:

- 15 shops in Tiverton were empty which out of 244 represented 6.15%
- 10 shops in Crediton were empty which out of 118 represented 8.47%
- 15 shops in Cullompton were empty which out of 94 represented 15.96%

73. CERTIFICATION REPORT 2013/14 (01:33:59)

The Committee had before it, and **NOTED**, a report from the Council's external auditors, Grant Thornton, summarising their overall assessment of the Council's management arrangements in respect of the certification process and which drew attention to significant matters in relation to individual claims. It was confirmed that all claims had been submitted on time, there had only been one small error which had been easily amended.

74. EXTERNAL AUDIT UPDATE (01:36:33)

The Committee had before it, and **NOTED**, a report from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.

Discussion took place regarding what control Members had over reserves being used to fund potential future redundancies. The Head of Finance explained that monthly monitoring reports to the Cabinet reflected the position with reserves and there would always be an opportunity for Members to comment and decide upon how these were used well in advance of any action taking place.

75. PROTECTING THE PUBLIC PURSE - FRAUD BRIEFING 2014 (01:45:40)

Grant Thornton provided the Committee with a presentation entitled 'Protecting the Public Purse – Fraud Briefing 2014'. The Committee were shown graphs depicting how Mid Devon District Council compared with their comparator group in relation to detected fraud cases in areas such as housing benefit, council tax, social housing and right to buy. No concerns were raised amongst the Committee members.

(The meeting ended at 8.00 pm)

CHAIRMAN

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AUDIT COMMITTEE 24TH MARCH 2015:

CODE OF CORPORATE GOVERNANCE REPORT

Cabinet Member Cllr Clive Eginton
Responsible Officer Head of Communities & Governance

Reason for Report: To present the Committee with the updated Code of Corporate Governance

RECOMMENDATION(S): That the Committee approves the annual update of the Code of Corporate Governance

Relationship to Corporate Plan: Having effective and efficient governance arrangements is a fundamental element of being a 'well managed' council.

Financial Implications: None arising from this report

Legal Implications: None arising from this report

Risk Assessment: Failure to review the Code on an annual basis would impact on the quality of the Council's Annual Governance Statement and could ultimately impact on the external auditors Annual Governance Report.

1.0 Introduction

1.1 Corporate Governance is the system by which local authorities direct and control their functions and relate to their communities. It is founded on the fundamental principles of openness, integrity and accountability together with the overarching concept of leadership.

1.2 There are six core governance principles that have been adapted for local authorities, which are:

- (a) Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
- (b) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (c) Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (d) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- (e) Developing the capacity and capability of members and officers to be effective; and
- (f) Engaging with local people and other stakeholders to ensure robust public accountability

- 1.3 Attached as Appendix A is the Council's Code of Corporate Governance which is reviewed, updated and published on the Website on an annual basis. Changes have been tracked for ease of reference.
- 1.4 We will undertake an Annual review of our corporate governance arrangements, and at the end of the financial year, we will produce our Annual Governance Statement. The statement will outline the effectiveness of the Code of Governance and its application, making recommendations for improvement where appropriate. The Committee will receive further information on the production of the Annual Governance Statement in May prior to reviewing and signing off the draft Statement at the end of June.

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

Circulation of the Report: Cllrs Clive Eginton, Peter Hare-Scott and Management Team

1.0 What we mean by Governance

- 1.1 Governance is about how the Council ensures that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 It comprises the systems and processes and cultures and values, by which the Council is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 1.3 This Local Code of Governance has been developed in accordance with and is consistent with the Delivering Good Governance in Local Government Framework.

2.0 Core Principles of Good Governance

- 2.1 The core governance principles of the Council are:
 - Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area;
 - Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
 - Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
 - Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
 - Developing the capacity and capability of members and officers to be effective; and
 - Engaging with local people and other stakeholders to ensure robust public accountability

3.0 Applying the Core Principles of Good Governance

The six core principles each have a number of specific requirements that apply across the Council's business. The following tables contain details of these specific requirements (taken from the Delivering Good Governance Framework) along with the evidence to demonstrate how the Council is meeting these requirements (the list of evidence is by no means an exhaustive list).

Code of Corporate Governance

3.1 Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.1.1 Develop and promote the authority's purpose and vision	<ul style="list-style-type: none"> • Corporate Plan • Service Business Plans • <u>Economic Development Strategy</u> • <u>Local Plan</u>
3.1.2 Review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	<ul style="list-style-type: none"> • Corporate Plan review • Code of Corporate Governance • <u>Local Strategic Partnership meetings</u>
3.1.3 Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	<ul style="list-style-type: none"> • Partnership Toolkit • Partnership Terms of Reference
3.1.4 Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	<ul style="list-style-type: none"> • Corporate Plan Summary • Annual Financial Statements • Annual Governance Statement • Quarterly performance and risk reports
3.1.5 Decide how the quality of service for customers/users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	<ul style="list-style-type: none"> • Corporate Plan • <u>Service Business Plans</u> • <u>Performance Indicators</u> • Community Engagement Strategy <u>and action plan</u> • <u>Citizen's Panel Surveys</u> • <u>Customer Care Policy</u> • <u>Tenancy Involvement strategy and policy</u> • <u>Statement of Community Involvement</u>
3.1.6 Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> • Complaints procedure • Service Standards
3.1.7 Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	<ul style="list-style-type: none"> • Corporate Plan • Medium Term Financial Plan • Performance Management framework • Financial Monitoring

Code of Corporate Governance

3.2 Members and Officers working together to achieve a common purpose with clearly defined functions and roles

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
<p>3.2.1 Set out a clear statement of the respective roles and responsibilities of the Cabinet and of the Cabinet's members individually and the authority's approach towards putting this into practice</p> <p>Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Delegated decision making for individual Cabinet Members
<p>3.2.2 Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority, taking account of relevant legislation, and ensure that it is monitored and updated when required</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Delegated decision making for individual Cabinet Members • Scheme of delegation for senior officers
<p>3.2.3 Make the Chief Executive responsible and accountable to the authority for all aspects of operational management</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Statutory Provisions • Chief Executive Job Description
<p>3.2.4 Develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained</p>	<ul style="list-style-type: none"> • Constitution • Chief Executive appraisal and performance objectives
<p>3.2.5 Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Statutory Provisions • Head of Finance Job Description • Self-assessment against the CIPFA guidance – the role of the Chief Financial Officer
<p>3.2.6 Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statues and regulations are complied with</p>	<ul style="list-style-type: none"> • Constitution • Scheme of Delegation • Statutory Provisions • Head of Communities & Governance (Monitoring Officer) Job Description
<p>3.2.7 Develop protocols to ensure effective communication between members and officers in their respective roles</p>	<ul style="list-style-type: none"> • Officers Code of Conduct for Officers • Members Code of Conduct • Member/Officer Protocol

Code of Corporate Governance



Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
<p>3.2.8 Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)</p> <p>Ensure that effective mechanisms exist to monitor service delivery</p>	<ul style="list-style-type: none"> • National & Local Pay & Conditions • Independent Remuneration Panel for Members Allowances • Job Evaluation Scheme • Pay and Grading Group (Officers/Union) • Pay Policy
<p>3.2.9 Ensure that the organisation’s vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<ul style="list-style-type: none"> • Corporate Plan • Community Engagement Strategy • Medium Term Financial Plan • Citizen’s Panel Consultation 3 times a year including budget consultation • Public Consultations • Statement of Community Involvement re planning consultations •
<p>3.2.10 When working in partnership ensure that members are clear about their roles and responsibilities, both individually and collectively in relation to the partnership and to the authority</p> <p>When working in partnership:</p> <ul style="list-style-type: none"> • Ensure that there is clarity about the legal status of the partnership • Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	<ul style="list-style-type: none"> • Partnership Toolkit • Partnership Terms of Reference

3.3 Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.3.1 Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<ul style="list-style-type: none"> • Constitution • Code of Conduct
3.3.2 Ensure that standards of conduct and personal behaviour expected of members and officers, of work between members and officers and between the authority, its partners and the community are clearly defined and communicated through codes of conduct and protocols	<ul style="list-style-type: none"> • Officers Code of Conduct • Members Code of Conduct • Member/Officer Protocol • Standards Committee • Anti-Fraud & Anti-Corruption Policy • Complaints Procedures • Competency Framework covering areas of service delivery, working with others, communication and leading and developing • Disciplinary Policy
3.3.3 Put in place arrangements to ensure that members and officers of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> • Officers Code of Conduct • Members Code of Conduct • <u>Member/Officer Protocol</u> • Financial & Contract Procedure Rules • Register of Interests • Gifts & Hospitality Register • Officer Personal Interest Register • Anti-Fraud & Anti-Corruption Policy • Whistle-blowing Policy • Anti-Money Laundering Policy • Statutory Provisions in Bribery Act • Annual Audit of Gifts & Hospitality Register and Register of Interests
3.3.4 Develop and maintain shared values including leadership values for both the organisation and officers reflecting public expectations and communicate these with members, officers, the community and partners	<ul style="list-style-type: none"> • Constitution • Corporate Plan
3.3.5 Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<ul style="list-style-type: none"> • Codes of Conduct for Officers and Members • Standards Committee
3.3.6 Develop and maintain an effective standards committee	<ul style="list-style-type: none"> • Constitution • Terms of Reference • Standards Committee Agendas and Minutes

Code of Corporate Governance

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.3.7 Use the organisation's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<ul style="list-style-type: none"> • Codes of Conduct • Member/Officer Protocol
3.3.8 In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners' behaviour both individually and collectively	<ul style="list-style-type: none"> • Partnership Toolkit • Partnership Terms of Reference • Partnership meetings agendas and minutes

3.4 Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.4.1 Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's overall performance	<ul style="list-style-type: none"> • Constitution • Terms of Reference • Scrutiny Committee Agendas and Minutes • Scrutiny working groups • Call-in procedure for Cabinet decisions and individual Cabinet Member decisions
3.4.2 Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	<ul style="list-style-type: none"> • Constitution • Delegated decision-making for individual Cabinet Members • Decision recording form • Scheme of Delegation to Cabinet Members and Officers • Officer decision making procedure
3.4.3 Put in place arrangements to safeguard members and officers against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> • Officers Code of Conduct • Members Code of Conduct • Member/Officer Protocol • Financial & Contract Procedure Rules • Register of Interests • Gifts & Hospitality Register • Officer Personal Interest Register • Role of the Head of Communities & Governance (Monitoring Officer) • Standards Committee • Annual Audit Plan • Anti-Fraud & Anti-Corruption Policy • Whistle-blowing Policy • Anti-Money Laundering Policy

Code of Corporate Governance

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
	<ul style="list-style-type: none"> Annual Audit of Gifts & Hospitality Register and Register of Interests
3.4.4 Develop and maintain an effective Audit Committee which is independent of the Cabinet and Scrutiny functions or make other appropriate arrangements for the discharge of such a function	<ul style="list-style-type: none"> Constitution Terms of Reference Audit Committee Agendas and Minutes
3.4.5 Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	<ul style="list-style-type: none"> Complaints procedure Procedure for complaints about Councillors
3.4.6 Ensure that those making decisions whether for the authority or the partnership are provided with information that is fit for purpose – relevant, timely and gives clear explanations of technical issues and their implications	<ul style="list-style-type: none"> Constitution Programme of member's training Partnership Toolkit
3.4.7 Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately	<ul style="list-style-type: none"> Constitution Committee Report Template Role of the Head of Communities & Governance (Monitoring Officer) Role of the Head of Finance (S151 Officer)
3.4.8 Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs	<ul style="list-style-type: none"> Risk Management Strategy Role of Head of Communities & Governance Corporate Risk Register Service Business Plans Project Risk Logs Regular key business risk reports to Committees Risk Management awareness training for officers and members
3.4.9 Ensure that arrangements are in place for whistle-blowing to which all staff and all those contracting with the authority have access	<ul style="list-style-type: none"> Anti-Fraud & Anti-Corruption Policy Whistle-blowing Policy Anti-Money Laundering Policy Statutory Provision in Bribery Act
3.4.10 Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	<ul style="list-style-type: none"> Constitution Role of the Head of Communities & Governance (Monitoring Officer) Statutory Provision
3.4.11 Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	<ul style="list-style-type: none"> Constitution Role of the Head of Communities and Governance (Monitoring Officer) Statutory Provision

Code of Corporate Governance

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.4.12 Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision making process	<ul style="list-style-type: none"> • Constitution • Role of the Head of Communities & Governance (Monitoring Officer) • Monitoring Officer Job Description • Statutory Provision

3.5 Developing the capacity and capability of members and officers to be effective

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
3.5.1 Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	<ul style="list-style-type: none"> • Appraisal Process • Competency Framework • Induction Training • Members Induction Training • Officer & Member Training & Development • Members Briefing sessions • Training & Development Plan and section on Sharepoint • Achieved the Member Development Charter • Member Development Group • Members personal development reviews • Workplace coaches
3.5.2 Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority	<ul style="list-style-type: none"> • Job Descriptions & Person Specifications • Organisational Structure charts • Membership of Management Team • Continuous Professional Development (CPD) training
3.5.3 Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	<ul style="list-style-type: none"> • Member Development Charter • Training and Development Plans for each member • Officer Appraisal and training needs analysis • Competency Framework
3.5.4 Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed	<ul style="list-style-type: none"> • Member Development Charter • Member Development Group • Training and Development Plans for each member • Members briefing sessions

Code of Corporate Governance

<p>3.5.5 Ensure that effective arrangements are in place for reviewing the performance of the Cabinet as a whole and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs</p>	<ul style="list-style-type: none"> • Constitution • Role of Scrutiny Committee
<p>3.5.6 Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority</p>	<ul style="list-style-type: none"> • Community Engagement Strategy • Partnership Toolkit • Local Democracy week • State of the District Debate • Mid Devon Equalities Forum • Community Days • Mid Devon Connect Events (multi agency events)
<p>3.5.7 Ensure that career structures are in place for members and officers to encourage participation and development</p>	<ul style="list-style-type: none"> • Service Business Plans section on workforce & succession planning • Appraisal process and training needs analysis • Training and development plan • Member Development Plans

3.6 Engaging with local people and other stakeholders to ensure robust public accountability

<p>Specific requirement for local authorities to (taken from the guidance)</p>	<p>Evidence by (what arrangements we have in place)</p>
<p>3.6.1 Make clear to themselves, all staff and the community to whom they are accountable and for what</p> <p>Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required</p>	<ul style="list-style-type: none"> • Corporate Plan • Constitution
<p>3.6.2 Produce an annual report on the activity of the scrutiny function</p>	<ul style="list-style-type: none"> • Scrutiny Committee annual report

Code of Corporate Governance

Specific requirement for local authorities to (taken from the guidance)	Evidence by (what arrangements we have in place)
<p>3.6.3 Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively</p> <p>Hold meetings in public unless there are good reasons for confidentiality</p> <p>Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands</p>	<ul style="list-style-type: none"> • Community Strategy • Community Engagement Strategy • Consultation • Public Question Time at each Committee meeting • Local Democracy week • State of the District debate
<p>3.6.4 Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result</p>	<ul style="list-style-type: none"> • Community Engagement Strategy • Community Engagement Action Plan and consultation calendar
<p>3.6.5 On an annual basis, publish a performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period</p>	<ul style="list-style-type: none"> • Corporate Plan Summary • <u>Annual Financial Statements</u> • <u>Quarterly Performance Indicator Reports</u>
<p>3.6.6 Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so</p>	<ul style="list-style-type: none"> • Constitution • Public Question Time at each Committee meeting • Publication of meeting agendas and minutes on website • Publication of consultation results and feedback
<p>3.6.7 Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making</p>	<ul style="list-style-type: none"> • Constitution • Joint Negotiation and Consultancy Committee • Regular meeting between the Union and Management • Framework for consultation • All staff meetings and Senior Officers Forum

AUDIT COMMITTEE

24 MARCH 2015:

RISK AND OPPORTUNITY MANAGEMENT STRATEGY

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

Reason for Report: To present the Committee with the updated Risk and Opportunity Management Strategy for approval

RECOMMENDATION: The Committee approve the updated Risk and Opportunity Management Strategy (Appendix A)

Relationship to Corporate Plan: Having effective Risk and Opportunity Management arrangements in place is crucial for identifying risks and opportunities and mitigating the Council's risks and is a fundamental element of being a well-managed Council

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

Legal Implications: Failure to mitigate risks could result in a number of legal implications for the Council

Risk Assessment: Failure to take advantage of opportunities and mitigate business risks is a major risk to the Council and could impact on the Council's ability to deliver its strategic objectives. Failure to regularly review and update the Risk and Opportunity Management Strategy could have an adverse impact on the Council's Annual Governance Statement

1.0 Introduction

1.1 The Risk Management Strategy was last updated and approved by the Audit Committee on 23rd September 2014.

1.2 The purpose of this report is to update the Council's Risk Management Strategy (attached as Appendix A) for the 2015/16 financial year.

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

1.4 For ease of reference the changes to the document have been tracked.

2.0 Conclusion

2.1 Risk and Opportunity Management is not a separate initiative, but is the demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of

good governance, including Risk and Opportunity Management, are reflected in the activities of the Council. The Council also has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations and the publication of an Annual Governance Statement.

- 2.2 Approval of the Risk and Opportunity Management Strategy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

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

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

Risk & Opportunity Management Strategy 2015/16

1.0 BACKGROUND

1.1 This combined Risk and Opportunity Management Strategy details the Council's framework for managing business risk and opportunity. The Risk and Opportunity Management framework is the culture, processes and structures that are directed towards effective management of potential risks and opportunities that the council faces in delivering its objectives.

1.2 The definition of risk varies. ALARM (the Association of Local Authority Risk Managers) and the Audit Commission define Risk Management as follows

ALARM

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

Audit Commission

"Risk Management is the process of identifying risks, evaluating their potential consequences and determining and implementing the most effective way of controlling and monitoring them. The objective of the process is to enable objectives to be achieved in the optimum way and to control negative factors or risks which could impact on an organisation's success"

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

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

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

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

2.0 PURPOSE, AIMS AND OBJECTIVES

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

- An efficient control environment
- The overt allocation of accountability for risk and opportunity management throughout the organisation
- A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
- A well-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process

Risk & Opportunity Management Strategy 2015/16

- Performance monitoring of risk and opportunity management activity
 - Communications process to support risk and opportunity management
 - A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

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

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

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

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

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

Risk & Opportunity Management Strategy 2015/16

3.0 ROLES AND RESPONSIBILITIES

- 3.1 The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.
- 3.2 The **Audit Committee** will approve this risk and opportunity management strategy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities, takes appropriate action to ensure that they are being actively managed and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.
- 3.3 The **Management Team** is primarily responsible for setting the organisations risk appetite, identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. The Management Team will also be responsible for monitoring the progress of managing risks and opportunities and will review quarterly reports to the Audit Committee, Cabinet and, Scrutiny Committee.
- 3.4 The **Cabinet** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving quarterly progress reports on the Council's key business risks and opportunities through the performance and risk report.
- 3.5 The **Scrutiny Committee** will also receive quarterly progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Cabinet and/or Audit Committee.
- 3.6 The **Policy Development Groups (PDGs)** will receive updates on risks and opportunities relating to any policy development matters that they are working on and this is expected to be in the form of a risk and opportunity assessment as part of the working group papers or report to the Group.
- 3.7 The **Finance Cabinet Member** will:
- Communicate the importance of risk and opportunity management to other Members
 - Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process
- 3.8 **Heads of Service/Service Managers** will be responsible for:
- Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
 - Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project

Risk & Opportunity Management Strategy 2015/16

- Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
 - Ensuring that all risks are **put** on the corporate risk register (~~SPAR~~) (the Key Business Risks will be held on SPAR and other service risk assessments held on the corporate health and safety drive)
 - Regularly reviewing risks associated with their service area(s) ~~(via the corporate risk register on SPAR)~~, ensuring that the agreed actions and deadlines have been met
 - Ensuring that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action
- 3.9 The **Head of Communities and Governance** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers. The Head of Communities and Governance will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement. The Head of Communities and Governance will also chair the Council's Health & Safety Committee to ensure that any risks arising from the work of this group will be incorporated into the Corporate Risk Register.
- 3.10 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Health and Safety Officer and Management Team for action.
- 3.11 All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their Head of Service/Service Manager.
- 4.0 STRATEGIC, OPERATIONAL AND PROJECT RISKS**
- 4.1 Broadly speaking risks can be divided into three categories:
- **Strategic** – risks which need to be taken into account in judgements about the medium to long term goals and objectives of the Council whilst at the same time considering the opportunities; and
 - **Operational** – risks and opportunities which managers will encounter in the daily course of their work.
 - **Project** - risks and opportunities which will be encountered during specific tasks/projects being undertaken
- 4.2 **Strategic Risks**
- 4.2.1 The management of strategic risks and opportunities is a core responsibility of the Management Team. Strategic risk and opportunity assessments should be factored in to corporate and service planning.

Risk & Opportunity Management Strategy 2015/16

4.2.2 The major categories of strategic risk are:

- **Political** – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc. This risk will be particularly relevant in 2015/16 due to the election in May
- **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.
- **Social** – relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to deliver its objectives.
- **Technological** – associated with the capacity of the council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands.
- **Data Protection/Information Security** – this includes the consequences of data/information transfer between the Council and other Bodies i.e. Government Connect, Partnership working, etc.
- **Legislative** – associated with current or potential changes in national or European Law (~~e.g. the appliance or non-appliance of TUPE Regulations~~).
- **Health and Safety** – This includes all aspects of Health & Safety as well as the Corporate Manslaughter legislation
- **Environmental** – relating to the environmental consequences of progressing the council's strategic objectives (e.g. in terms of climate change including energy efficiency, pollution, recycling, landfill requirements, emissions, etc).
- **Competitive** – affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver Value for Money.
- **Customer/Citizen** – associated with failure to meet the current and changing needs and expectations of customers and citizens.
- Partnership – associated with working in partnership or sharing services with another local authority or partner

4.3 Operational Risks

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

- **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- **Financial** – associated with financial planning and control and the adequacy of insurance cover.
- **Legal** – related to possible breaches of legislation.
- **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.

Risk & Opportunity Management Strategy 2015/16

- ❑ **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- ❑ **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- ❑ **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 Project Risks

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

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

4.5 Opportunities

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

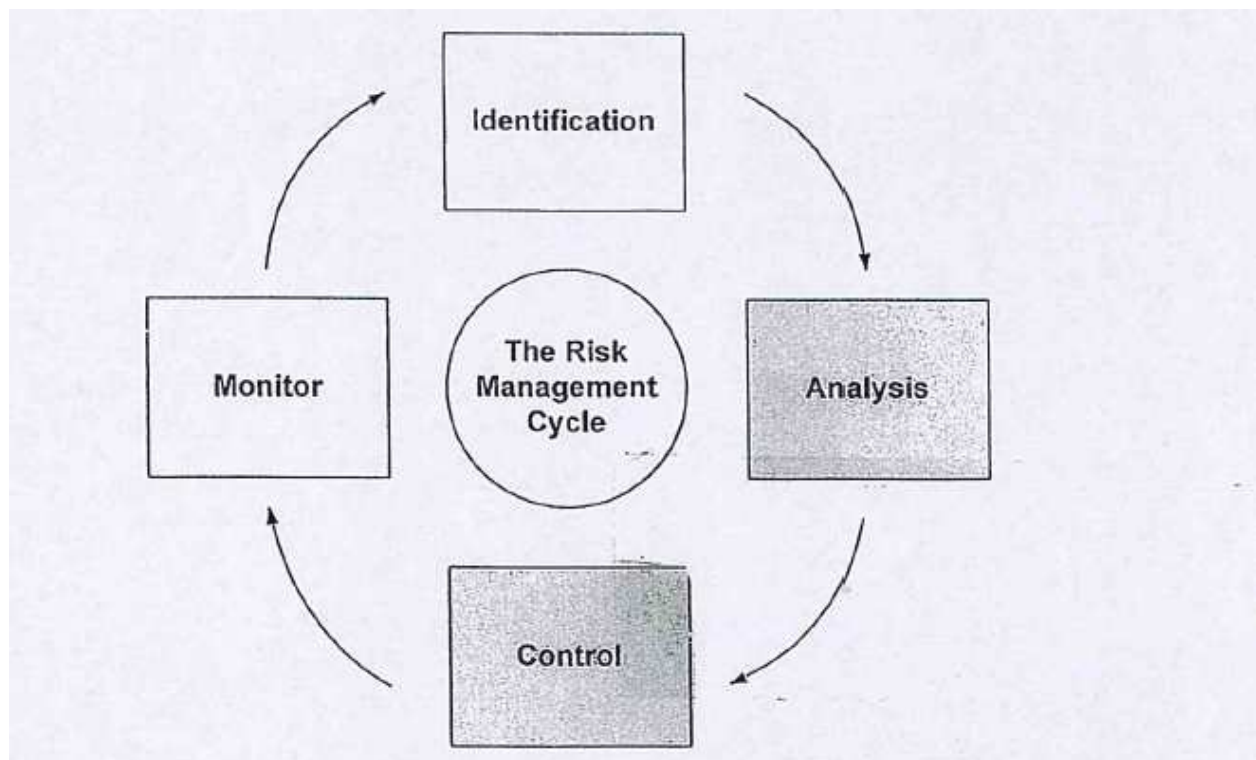
- ❑ Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- ❑ Transformational change which will generate cost savings or an income stream
- ❑ Opportunities for great partnership working with our stakeholders or other local authorities
- ❑ Opportunities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

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

Risk & Opportunity Management Strategy 2015/16

5.0 RISK MANAGEMENT PROCESS

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



Step 1 – Identify Risks and Opportunities

All sources of risk and opportunity need to be identified. These should include strategic, operational and project risks.

Step 2 – Analysing Risks and Opportunities

Once the risks and opportunities have been identified they then need to be analysed to consider the impact/severity and likelihood of any risks occurring and the potential benefits of any opportunities.

Risk

Impact/Severity

The impact of the threat being realised is defined as:

	Score		Definition
Very Low	1	No impact	No notable impact identifiable
Low	2	Minor	Affects only one group of

Risk & Opportunity Management Strategy 2015/16

			stakeholders, with minimum impact. Organisationally localised, with position recoverable within the financial period. No external interest
Medium	3	Significant	Affects more than one group of stakeholders, with widespread but short-term impact. May attract the short-term attention of legislative/regulatory bodies.
High	4	Major	Affects more than one group of stakeholders with widespread medium-term impact. Attracts the medium-term attention of legislative/regulatory bodies.
Very High	5	Catastrophic	Medium to long term impact on performance and delivery of services. Affects all groups of stakeholders, with a long-term impact. National impact with the rapid intervention of legislative/regulatory bodies.

Risk

Likelihood

The likelihood of the threat being realised is expressed on a scale of 1-5, using the definitions below:

	Score		Definition
Very Low	1	Rare	May occur in exceptional circumstances
Low	2	Possible	Risk may occur in the next 3 years
Medium	3	Likely	The risk is likely to

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			occur more than once in the next 3 years
High	4	Almost certain	The risk is likely to occur this year
Very High	5	Certain	The risk has occurred and will continue to do so without action being taken

The assessment process uses a 5x5 scoring matrix (see below) where the scores of impact x likelihood equal the total risk score. Risks scoring between 15 and 25 would be classed as high risk (red) with 25 being the biggest risk. Risks scoring between 5 and 12 would be classed as medium risk (amber) and risks scoring between 1 and 4 would be low risk (green). Risks that score 15 or above (as well as those that score a 5 on impact irrespective of their overall score) will be classed as the Council's key business risks and will be reported to the Audit Committee, Cabinet and Scrutiny Committee on a quarterly basis.

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

Once analysed the risks need to be ranked and prioritised according to their likelihood and severity i.e. those scoring 25 will be at the top of the list and those scoring 1 will be at the bottom of the list.

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

Benefits of Opportunities

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

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

Risk & Opportunity Management Strategy 2015/16

Step 3 – Control the Risks

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

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

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

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

Step 4 – Monitor and Report Progress

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

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

6.0 RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

- 6.1 For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.
- 6.2 Once the Strategy has been agreed all officers and Members will be required to read the policy and answer questions using the new Insight policy system.
- 6.3 The Head of Communities and Governance will regularly raise awareness of Risk and Opportunity Management through the Officer newsletter (the Link), the Member newsletter (WIS) and through briefing sessions.
- 6.4 The Head of Communities and Governance will be involved in the induction process for new officers and Members where a session on Risk and Opportunity Management will be included.

AUDIT COMMITTEE 24 MARCH 2015

PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Cabinet Member Cllr Clive Eginton
Responsible Officer Head of Communities & Governance

Reason for Report: To provide the Committee with an update on progress made against the 2013/14 Annual Governance Statement Action Plan.

RECOMMENDATION(S): The Committee note the progress update

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

Financial Implications: None arising from this report.

Legal Implications: None arising from this report.

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

1.0 Introduction




- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement action plan.
- 1.2 The action plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 Any outstanding recommendations will be incorporated into the Annual Governance Statement for the 2014/15 financial year, which will be presented in draft to the Committee at their meeting on 23 June 2015.






Contact for more Information: Amy Tregellas
Head of Communities and Governance ext 4246




Circulation of the Report: Management Team and Cllr Clive Eginton






List of Background Papers: None




	Action	Target Date / Responsible Officer	Progress Update	Status
Corporate and Business Planning				
1	Review the Corporate Plan to achieve the “Golden Thread” by building in strategic objectives that reflect our statutory duties as well as social duties and aspirations	31 October 2015 Head of Communities and Governance	The team working on the Corporate Plan are meeting on the 20 th January 2015 to discuss the timetable and to plan the project. It is proposed that the target date be amended to the 31 st October 2015, due to the election and the need to train members and then consult and have their input into the Corporate Plan	Date not yet due
2	Include organisational” values” and Cabinet Member “pledges” in the next update of the Corporate Plan	31 October 2015 (following election) Head of Communities and Governance	This will form part of the Corporate Plan project plan	Date not yet due
3	Develop a Council mission statement to provide direction for staff	31 May 2015 Management Team	To be discussed at Management Team and with the Senior Officers Forum. Research has been done into what other authorities have.	Date not yet due
4	Include a communication strategy (internal and external) of the Corporate Plan in its next revisions including a diagram depicting the reporting structure against Corporate objectives. This will include the approach to internal communications i.e. visiting team meetings to get input and workshops at Senior Officers Forum.	30 June 2015 Head of Communities and Governance	The team working on the Corporate Plan are meeting on the 20 th January 2015 to discuss the timetable and to plan the project. A workshop of the Senior Officers Forum will take place in March 2015.	Date not yet due
5	Embed risk management into the strategic planning process when agreeing on approaches to meet aims	31 May 2015 Head of Communities and Governance	This will form part of the Corporate Plan project plan – risks will be considered when drawing up all projects in the Corporate Plan	Date not yet due







Key:  = on target or completed  = action started but target date slippage  = action not commenced & way off target




6	Amend risk and performance reports following the review of the Corporate Plan so that it is divided into objectives	30 November 2015 Head of Communities and Governance	To be reviewed as part of the work of the Corporate Plan In light of the proposed amendment to target one if is proposed that this target date be amended to 30 November 2015	Date not yet due
7	Agree performance deliverables against reducing budgets	28 February 2015 Management Team	Completed - the Budget was approved by Council on the 25 th February. Performance Indicator targets were reviewed by the Scrutiny Committee Performance Management Working Group and were amended in 2014. It is likely that these targets, where appropriate, will carry forward until the new Corporate Plan is in place in October 2015.	
Performance and Risk Management				
8	Following the conclusion of the Scrutiny Committee Performance Management working group review and update the Risk Management Strategy and get this approved by the Audit Committee	30 September 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 23 rd September 2014	
9	Incorporate "opportunity management" within our Risk Management Strategy	30 September 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 23 rd September 2014	
10	Following the conclusion of the Scrutiny Committee Performance Management working group review and update the performance management guidance for officers and Councillors and take to the Audit Committee for approval	30 September 2014 Head of Communities and Governance	Guidance completed and going to the Senior Officers Forum on the 18 th March 2015 for consideration. Also as Scrutiny Committee working group looked at performance management suggest that they consider the guidance at their meeting on 13 th April. This will then be communicated to officers and Members.	
11	Review the risk register further by adding Service Business Plan risks to SPAR	31 December 2014 Head of Communities and Governance	Completed	

Key:  = on target or completed  = action started but target date slippage  = action not commenced & way off target

12	Review the Data Quality Policy and take to the Audit Committee for approval	31 December 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 2 nd December 2014	
13	Review and update the Emergency Plan	31 December 2014 Community Safety and Emergency Planning Officer	3 out of the 4 plans have been drafted. Part 1 is the Emergency Response and Recovery Plan overview. Part 2 is the Emergency Response and Recovery Plan Response Phase. Part 3 is the Small Rest Centre Recovery Plan. The final part which is the Recovery Plan to be finalised by the end of June 2015	
Constitution and Members				
14	Continue to work with the Constitution Working Group to make proposals for change to the Constitution, presenting them to the Standards Committee and Full Council for approval	31 December 2014 Monitoring Officer	The work of the Constitution working group is progressing well and a number of sections of the proposed Constitution have gone to Standards Committee in January and February 2015. The remaining sections will be going to the Committee in March and early April before going to Council on the 29 th April 2015	
15	As part of the work of the Constitution Working Group produce job descriptions for Councillors i.e. a general job description for councillors and a specific job description for Cabinet Members and Committee Chairmen	31 December 2014 Monitoring Officer	The Job Roles for Councillors have been written and will be presented to the Standards Committee on the 11 th March 2015. These will go forward to Council with the rest of the Constitution on the 29 th April 2015	
16	Following approval by Full Council communicate key changes in the Constitution to officers and Councillors including training sessions for those officers who require a specialist knowledge	31 March 2015 Monitoring Officer	Revised target date to be 31 May 2015 following the election	Date not yet due
17	Review and update the training induction programme for Members following the elections in May 2015	31 December 2014 Principal Member Services Officer	Completed and approved by the Member Development Group on 16 th December 2014	

Key:  = on target or completed  = action started but target date slippage  = action not commenced & way off target

Training and Information for new starters				
18	Finalise the changes to the Corporate Induction Programme	31 December 2014 Head of HR & Development	Work continues on the Induction programme. The Learning and Development team are meeting with officers involved in the induction process and a revised target date of the 30 th April 2015 has been set for completion.	
19	Review and update policy for volunteers	31 March 2015 Head of HR & Development	Commenced but not yet completed. Slippage expected and a revised target date of end of September 2015 to be set.	
Anti-Fraud and Anti-Corruption, Whistle-blowing and Anti-Money Laundering policies				
20	Review and update the Anti-Fraud and Anti-Corruption Plan and take to the Audit Committee for approval	30 September 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 2 nd December 2014	
21	Review and update the Whistle-blowing Policy and take to the Audit Committee for approval	30 September 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 2 nd December 2014	
22	Review and update the Anti-Money Laundering Policy and take to the Audit Committee for approval	30 September 2014 Head of Communities and Governance	Completed and approved by the Audit Committee on the 2 nd December 2014	
23	Ensure that the requirements of the Bribery Act are included in the Anti-Fraud and Anti-Corruption, Whistle-blowing and Anti-Money Laundering policies	31 August 2014 Head of Communities and Governance	Completed	

Key:  = on target or completed  = action started but target date slippage  = action not commenced & way off target

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AUDIT COMMITTEE

24 MARCH 2015:

PERFORMANCE AND RISK FOR THE FIRST THREE QUARTERS OF 2014-15

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

Reason for Report: To provide Members with an update on performance against the corporate plan and local service targets for 2014/15 as well as providing an update on any key business risks.

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

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

Financial Implications: None identified

Legal Implications: None

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

1.0 Introduction

- 1.1 Appendices 1-6 provide Members with details of performance against the Corporate Plan and local service targets for the 2014/15 financial year.
- 1.2 Appendix 7 shows the higher impact risks from the Corporate Risk Register. This includes operational and Health and Safety risks where the score meets the criteria for inclusion
- 1.3 The appendices reflect the changes suggested by the Scrutiny Performance Working Group.

2.0 Performance

Managing the Environment Portfolio - Appendix 1

- 2.1 Performance is below target this quarter. The missed collections logged are now restored to normal low levels.
- 2.2 Where benchmarking information is available for the previous year it is included.

Decent and affordable Homes Portfolio - Appendix 2

- 2.3 All Repairs PIs remain either at or above target for the year meaning that performance continues to be good. There were 4 properties without a valid gas certificate at the end of December; all had appointments for the service to be carried out.
- 2.4 Rent Collection performance is also very good with both PIs above target.
- 2.5 141 homes were non- decent at the end of December, a third without access.

Community Well Being Portfolio - Appendix 3

- 2.6 In quarter 3 the number of empty shops for Crediton has stayed on target, Tiverton has 1 less empty shop this quarter and is above target but Cullompton has 2 more and is below target.
- 2.7 The Leisure performance is slightly below target but has improved over the course of the year.

Planning and Regeneration Portfolio - Appendix 4

- 2.8 The Planning performance is taken from the last report to Planning Committee.

Working Environment Portfolio - Appendix 5

- 2.9 The performance regarding complaints is below target; the CRM upgrade will improve the monitoring process and be accompanied by refresher training for staff. Other PIs are above target except working days lost due to sickness. The Health & Safety Committee continues to monitor the statistics for any trends which need attention.

Finance Portfolio - Appendix 6

- 2.10 All PIs are above target.

3.0 Risk

- 3.1 The Corporate risk register is reviewed by Management Team (MT) and updated quarterly. Risk reports to Audit Committee and Cabinet continue to include risks with a total score of 15 or more and all those with an impact score of 5. (Appendix 8)
- 3.2 The Waste and Transport Manager is in the process of reviewing all the risk assessments for his entire area of responsibility. Operational risk assessments will be job specific and flow through to safe systems of work. These are not yet completed.

3.3 The profile of these risks for this quarter is:

Impact	5	14	3			
	4					
	3					
	2					
	1					
		1	2	3	4	5
		Likelihood				

4.0 Conclusion and Recommendation

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

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

Circulation of the Report: Management Team and Cabinet Member

MTE PDG Performance Report - Appendix 1

Quarterly report for 2014-2015

No headings

For Environment - Cllr Neal Davey Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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MTE PDG Performance Report - Appendix 1

Performance Indicators									
Status	Quartile	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well below target	2014-2015 No Data Available	<u>Increase Dry Recycling Rate to 20% by 2015</u>	14.89%	20.00%	20.00% (3/4)	13.46%	14.13%	14.71%	
Management Notes:									
Below target	2012-2013 Best Performing District Councils	<u>Residual household waste per head</u>	482.3	455.0	341.3 (3/4)	115.8	223.7	348.8	
Management Notes: (Quarter 1 - 3) Currently waiting for figures to be verified by Waste Data Flow at DCC. (AW)									
Below target	2012-2013 Above Median District Councils	<u>% of Household Waste Reuse, Recycled and Composted</u>	46.7%	50.0%	50.0% (3/4)	50.5%	51.6%	49.2%	
Management Notes: (Quarter 3) Currently waiting for figures to be verified by Waste Data Flow at DCC. (AW)									
No Target	2014-2015 No Data Available	<u>Number of Missed Collections logged per Quarter (refuse and organic waste)</u>	661			1,190	1,542	1,682	
Management Notes:									
No Target	2014-2015 No Data Available	<u>Number of Missed Collections logged per Quarter (Recycling)</u>	652			719	976	1,056	
Management Notes:									

DAH PDG Performance Report - Appendix 2

Quarterly report for 2014-2015

No headings

For Decent and Affordable Homes - Cllr Ray Stanley Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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DAH PDG Performance Report - Appendix 2

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well below target	<u>Deliver 15 homes per year by bringing Empty Houses into use</u>	16	15	11 (3/4)	2	6	8	
Management Notes:								
Well below target	<u>Number of affordable homes delivered (gross)</u>	68	80	60 (3/4)	1	5	21	
Management Notes:								
On target	<u>% Emergency Repairs Completed on Time</u>	99.74%	100.00%	100.00% (9/12)	100.00%	100.00%	100.00%	
Management Notes:								
On target	<u>% Urgent Repairs Completed on Time</u>	100.00%	100.00%	100.00% (9/12)	100.00%	100.00%	100.00%	
Management Notes:								
On target	<u>% Routine Repairs Completed on Time</u>	99.96%	100.00%	100.00% (9/12)	100.00%	100.00%	100.00%	
Management Notes:								
Above target	<u>% Repairs Completed at First Visit</u>	99.86%	99.90%	99.90% (9/12)	100.00%	100.00%	99.93%	
Management Notes:								
Above target	<u>Ratio of expenditure between planned and responsive repairs</u>	76.24	70.30	70.30 (3/4)	53.46	57.43	71.29	
Management Notes:								
Above target	<u>Rent Collected as a Proportion of Rent Owed</u>	100.66%	100.50%	100.50% (9/12)	98.09%	100.62%	100.83%	
Management Notes:								
Well above target	<u>Rent Arrears as a Proportion of Annual Rent Debit</u>	0.72%	1.00%	1.00% (9/12)	1.11%	1.00%	0.83%	
Management Notes:								
Below target	<u>% Decent Council Homes</u>	83.45%	100.00%	100.00% (9/12)	81.55%	89.20%	95.39%	
Management Notes:								
Below target	<u>% Properties With a Valid Gas Safety</u>	100.00%	100.00%	100.00% (9/12)	99.91%	99.72%	99.81%	

CWB PDG Performance Report - Appendix 3

Quarterly report for 2014-2015

No headings

For Community Well-Being - Cllr Colin Slade Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Not calculable

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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CWB PDG Performance Report - Appendix 3

Performance Indicators								
Status	Definition	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well above target	<u>Target is a maximum of 8.00% empty shop units out of total shop units (as per Planning Use Classes). (TIVERTON)</u>	18	20	20 (3/4)	15	16	15	
Management Notes: (Quarter 3) October 2014 no. empty units = 15 / 244 (September 2009 = 30 / 245) (ZL)								
On target	<u>Target is a maximum of 8.00% empty shop units out of total shop units (as per Planning Use Classes). (CREDITON)</u>	7	10	10 (3/4)	12	10	10	
Management Notes: (Quarter 3) October 2014 no. empty shop units = 10 / 118 (September 2009 = 17 / 114) (ZL)								
Below target	<u>Target is a maximum of 15.00% empty shop units out of total shop units (as per Planning Use Classes). (CULLOMPTON)</u>	12	14	14 (3/4)	12	13	15	
Management Notes: (Quarter 3) October 2014 no. empty shop units = 15 / 94 (September 2009 = 17 / 91) (ZL)								
Below target	<u>The percentage of Leisure's operational expenditure recovered through customer receipts</u>	88.18%	87.50%	87.50% (3/4)	86.51%	86.08%	86.57%	
Management Notes:								
Below target	<u>% of Leisure members retained from month beginning to month end.</u>	95.2%	95.50%	95.50% (3/4)	94.30%	94.90%	95.07%	
Management Notes:								

PLANNING PERFORMANCE 2014-15 QUARTER THREE

1.0 PLANNING PERFORMANCE

Set out below are the Planning Service performance figures for quarter three 1st October to 31st December 2014 of the current financial year together with previous quarters for comparison and the year 13/14. The performance data is published quarterly on the Councils web site at <http://www.middevon.gov.uk/index.aspx?articleid=4026>. The performance over the last twelve months is set out below. The last three quarters have seen a significant increase in performance in processing Major, Minor and Other applications and all are currently above central Government targets.

Planning Service Performance	Target	2013/ 14	2014/15			2014 /15 ^¾ year to date
			Q1	Q2	Q3	
			Apr- Jun	Jul- Sep	Oct- Dec	
Major applications determined within 13 weeks	60	37	50	75	57	61
Minor applications determined within 8 weeks	65	54	64	71	68	68
Other applications determined within 8 weeks	80	76	84	77	83	81
Householder applications determined in 8 weeks	85	83	91	82	89	88
Listed Building and Conservation Area Consents	80	71	68	66	77	71
Enforcement Site Visits undertaken within 15 days of complaint receipt	87	89	100	100	80	93
Delegated Decisions	90	93	94	95	96	95
Applications over 13 weeks old without a decision (less than)	<45	53	28	34	30	31
Major applications determined within 13 weeks (over last 2 years)	>40 %	67	57	53	50	64
Determine all applications within 26 weeks (per annum – Government Guarantee)	100	94	94	95	96	97
Building Regulation Applications examined within 3 weeks	95	87	70	92	88	83
Building Regulation Full Plan applications determined in 2 months	95	99	100	99	93	97

Working Environment Portfolio Performance - Appendix 5

Quarterly report for 2014-2015

No headings

For Working Environment and Support Services - Cllr Brenda Hull Portfolio

For MDDC - Services

Filtered by Performance Status: Exclude PI Status: Data not due, Data not entered

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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Working Environment Portfolio Performance - Appendix 5

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
No Target	<u>Number of phone calls to CF per month</u>	11,929	For Information Only	For Information Only	14,160	13,843	12,877	
Management Notes:								
Above target	<u>Number of visitors per month < 4,500</u>	4,257	4,500	4,500 (9/12)	4,480	4,397	4,228	
Management Notes:								
Above target	<u>Satisfaction with front-line services</u>	80.33%	80.00%	80.00% (3/4)	77.00%	79.50%	81.67%	
Management Notes:								
Not calculable	<u>% complaints acknowledged w/in 3 days</u>	71%	80%	80% (3/4)	43%	44%	45%	
Management Notes: (Quarter 3) the upgrade to the crm, makes acknowledgement of complaints mandatory when the complaint is logged. (LR)								
Well below target	<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	73%	90%	90% (3/4)	81%	69%	74%	
Management Notes: (Quarter 3) the upgrade of the CRM will verify data for the report is correct and includes as within timescale those claims that have required additional time to complete inline with the complaints policy. (LR)								
Above target	<u>% Emails received by Customer Services responded to within 5 days</u>	99.3%	95.0%	95.0% (3/4)	99.0%	99.0%	98.0%	
Management Notes:								
Not calculable	<u>Number of Complaints</u>	n/a	For information only	For information only	193	122	69	
Management Notes:								
Not calculable	<u>Number of Digital Contacts</u>	n/a	For information only	For information only	9,172	9,928	8,515	
Management Notes:								
Well	<u>Working Days Lost Due</u>	8.64days	7.00days	5.25days (3/4)	2.38days	4.63days	7.17days	

Working Environment Portfolio Performance - Appendix 5

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
below target	<u>to Sickness Absence</u>							
<u>Management Notes:</u>								

Finance Portfolio Performance - Appendix 6

Quarterly report for 2014-2015
No headings
For Finance - Cllr Peter Hare-Scott Portfolio
For MDDC - Services

Key to Performance Status:

Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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Finance Portfolio Performance - Appendix 6

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Data not due	<u>Percentage of Council Tax collected (BVPI 009)</u>	97.56%	98.00%	98.00%	n/a	n/a	n/a	
Management Notes:								
Data not due	<u>Percentage of NNDR collected (BVPI 010)</u>	98.40%	98.00%	98.00%	n/a	n/a	n/a	
Management Notes:								
Well above target	<u>% total Council tax collected - monthly</u>	97.56%	98.00%	73.50% (9/12)	29.31%	56.58%	88.95%	
Management Notes:								
Well above target	<u>% total NNDR collected - monthly</u>	98.40%	98.00%	73.50% (9/12)	29.70%	57.74%	85.02%	
Management Notes:								
Above target	<u>Percentage of Invoices Paid on Time</u>	94.13%	97.50%	97.50% (1/2)	n/a	99.34%	n/a	
Management Notes: (April - September) Six- monthly (CY)								
Well above target	<u>Time taken to process Housing Benefit/Council Tax Benefit new claims and change events</u>	8days	14days	14days (3/4)	9days	9days	9days	
Management Notes:								

Printed by: Catherine Yandle

SPAR.net

Print Date: Monday, March 09, 2015 10:49

Risk Report Appendix 7

Report for 2014-2015
 Filtered by Flag:Include: * CRR 5+ / 15+
 For MDDC - Services

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (5+) Low (1+)

Risk Report Appendix 7

Risk: Asbestos Health risks associated with Asbestos products such as lagging, ceiling/wall tiles, fire control.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Housing Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Nick Sanderson

Review Note: Following recent events procedures have been scrutinised and recommendations from the HSE are in the process of being implemented.

Risk Report Appendix 7

Risk: Breaches in HR Legislation Failure to keep Council policies up to date, that complement the appropriate legislation

Failure to develop staff knowledge and competence regarding legislation/changes

Effects (Impact/Severity): - The Council could face poor reports from assurance bodies

- Failure to meet statutory duties could result in paying penalties, stretching already thin financial resources

- Failure to comply with legislation could lead to legal challenge against individuals or the Council as a whole

- Future legislation changes, their impact on services and the cost of implementing changes to policies, procedures and service delivery

Causes (Likelihood):

Service: Human Resources

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Jill May

Review Note: The council employs four Chartered Ins of Personnel and Development (CIPD) staff who undertake regular employment law updates. All policies are reviewed on an three year programme which has slipped lately due to pressure of work (reorganisations, consultations and redundancies) however we always prioritise legislative change. Therefore whilst this is a huge risk it is a risk which is managed.

Risk: Breaches of Legislation Breaches of Anti-Money Laundering or Bribery Act both could result in a criminal conviction.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Audit

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Amy Tregellas

Review Note:

Risk: Chemicals Staff using chemicals incorrectly.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very
High

Current Risk Likelihood: 2 -
Low

Head of Service: Jill May

Review Note:

Risk Report Appendix 7

Risk: Council Finances - Banking Arrangements Problems with banks and online services may affect ability to access funds when we need to or receive / process payments on a timely basis

Effects (Impact/Severity): Unable to promptly pay suppliers or treasury commitments

Causes (Likelihood): ICT systems down at Council or Bank so impossible to review cash position or make urgent payments

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk: Council Finances - Investments Failure to invest in the Council's funds in an efficient and effective manner may cause potential of a loss of monies invested

Effects (Impact/Severity): • Could result in cash flow loss of up to £3M

Causes (Likelihood): • Future banking collapses

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk: Council Finances - Treasury Management Failure to comply with the CIPFA Code of Practice on Treasury Management /local authority accounting would be a breach in statutory duty

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Andrew Cawdron, Andrew Jarrett

Review Note:

Risk Report Appendix 7

Risk: Digital transformation - Local Plan Jeopardisation of the Local plan consultation timetable due to problems with the website

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Head of Service: Jonathan Guscott, Liz Reeves

Review Note:

Risk: Digital Transformation - No Website The complete failure of the Council website

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Head of Service: Christina Cross, Liz Reeves

Review Note: the security patch has been successfully applied to Goss.

Risk: Document Retention If documents fail to be retained for the statutory period then we may face financial penalties

Effects (Impact/Severity):

- The Council may be disadvantaged in taking or defending legal action if prime documents are not retained;
- Performance statistics cannot be verified;
- The external auditor may not be able to verify the Council's final accounts and subsidy may be lost.
- Mismanagement of burial records

Causes (Likelihood): • "Data debris" cluttering system and storage space

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 1 - Very Low

Head of Service: Christina Cross

Review Note: no change to policy

Risk Report Appendix 7

Risk: Failure to comply with card security standards As an organisation we need to comply with the requirements of TrustWave to be authorised as card payment processors.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Management Team

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Christina Cross

Review Note: Policy now in place

Risk: Fire and Explosion Risks associated with storage of combustible materials, fuels and flammable substances and sources of ignition, as well as emergency procedures (existence, display and knowledge of), accessibility (or obstruction) of emergency exits and walkways to. Also, risks associated with use of fire extinguishers, having correct type in location, in date and trained operatives on site.

Effects (Impact/Severity): Very High (5) – Although the risk is low, a fire in the server or storage room could potentially cause loss of life, have serious financial implications and severely impact the councils ability to provide services due to loss of IT infrastructure.

Causes (Likelihood): Very Low (1) – The likelihood of a fire within ICT is extremely low. No quantities of combustible materials are stored within the work area. There is easy access to the emergency exit and all staff have received fire awareness training.

Service: I C T

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Christina Cross

Review Note: we had an incident 7 pm Tuesday evening and our heat sensors and recovery team worked all as it should and problem averted

Risk: Information Security Inadequate Information Security could lead to breaches of confidential information, damaged or corrupted data and ultimately Denial of Service. The council fails to have an effective information strategy in place.

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

Effects (Impact/Severity):

Causes (Likelihood):

Service: I C T

Current Status:
Medium (5)

Current Risk Severity: 5 -
Very High

Current Risk Likelihood: 1 -
Very Low

Head of Service: Christina Cross

Review Note: no changes since last risk review. Users are aware and regularly reminded

Risk Report Appendix 7

Risk: <u>Legionella</u> Legionella		
Effects (Impact/Severity):		
Causes (Likelihood):		
Service: Leisure Services		
Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
Head of Service: Jill May		
Review Note:		

Risk: <u>Lifeguard Training</u> Poor quality training. Improper use of rescue equipment		
Effects (Impact/Severity):		
Causes (Likelihood):		
Service: Leisure Services		
Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
Head of Service: Jill May		
Review Note:		

Risk: <u>Plant Rooms</u> plant rooms		
Effects (Impact/Severity):		
Causes (Likelihood):		
Service: Leisure Services		
Current Status: Medium (5)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
Head of Service: None		
Review Note:		

Risk: <u>Waste Collection - Health and Safety</u> Inadequate training with regards to Manual Handling and workplace hazards (eg contact with broken glass) could result in Health and Safety risks		
Effects (Impact/Severity):		
Causes (Likelihood): - Increasing demand and service costs due to increasing population, consumer society and an increasing amount of waste		
Service: Street Scene Services		
Current Status: Medium (10)	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 2 - Low
Head of Service: None		
Review Note:		

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AUDIT COMMITTEE 24TH MARCH 2015

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 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 end of February 2015.

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 following Core audits are complete; ICT Core, Car Park Income, Council Tax/NNDR, Housing Benefits and Payroll.

2.2.3 Income & Cash Collection and Housing Rents are at the draft report stage and work has commenced on Creditors and Main Accounting.

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

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, Housing Health & Safety Management, VAT and Time Recording.

2.3.2 No further systems audits will be commenced for 2014/15. This has resulted in 4 audits being delayed until 2015/16 i.e. Listed Buildings & conservation, Grants & Donations, Vehicles and Emergency Planning.

2.4 Other Work

2.4.1 The Internal Audit team continue to 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 The Audit Team have carried out 2 investigations and sat on 2 job evaluation panels this year.

2.5 Performance Indicators

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

	Current	Target
Core	75%	83%
System	81%	80%

The Core audits are now scheduled to be completed by 2 April 2015. The Stocktake is scheduled for 31 March 2015.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Council Tax/NNDR

3.1.1 The collection of Council Tax and Business Rates remains above the English average as MDDC continues to perform well and collects a high proportion by Direct Debit (over 70%). The total collected was nearly £57M.

- 3.1.2 However, due to the lack of procedure notes and effective targets for processes it is difficult to assess the Service's day to day performance and as the section has been subject to extensive changes recently it is felt that work needs to be done to put clear guidelines and processes in place so it is clear who may do what.
- 3.1.3 This becomes even more relevant now Revenues are part of Customer First (CF): CF staff are picking up some of the more routine Revenues work and more generic working is being encouraged generally as part of 'Digital Transformation'.
- 3.1.4 The level of resource should also be reviewed as it is felt that the strain is starting to show and only a small increase in recovery rates would cover the cost of the extra resource. This suggestion will be followed up on the Recovery audit.
- 3.1.5 It is the overall opinion of the auditor that the Revenues system is adequately controlled.

There were no high priority recommendations on this audit.

3.2 Housing Benefit

- 3.2.1 Most of the areas of the Housing Benefit section are well managed, these being:
- All appropriate evidence for change of circumstances is obtained before implementing the change.
 - Updates to claimants' accounts are carried out promptly.
 - The overpayment receipts are reconciled on a monthly basis to the e-Financials system.
 - There is adequate provision for bad debt
 - Following a recommendation from the previous Audit, all debtors accounts prior to 2012 have now been added to the workflow system
 - Copies of Sundry Debtor invoices are now being saved in line with the document retention guidelines.
- 3.2.2 However, there are some minor issues which need to be addressed: The accuracy figures reported to Cabinet were found to be slightly less than those on the Housing Benefit Accuracy Calculation spreadsheet. There is inconsistency between the reports and the figures on SPAR.
- 3.2.3 It is the overall opinion of the auditor that the Housing Benefit system is well controlled but there are still problems with the recovery of overpayments.

There were no high priority recommendations on this audit.

3.3 Payroll

- 3.3.1 The Aurora payroll & HR system has now been in operation for over a year, the first year end payroll processing was done in March 2014; went well and

has been well documented. The transfer to Real Time Information (RTI) processing for HMRC has also been a smooth transition.

3.3.2 However, there are a number of weaknesses in the systems of internal check and control that need to be addressed, as follows:

- The year-end procedure of changes to parameters has improved with the new system, there is some automation and with other changes the 'before' and 'after' is kept as an audit trail and could be checked at any point. However, it would be prudent to introduce a process to verify the system parameter changes for items such as changes as Tax code updates, pay increases, SSP updates etc.
- A structure chart facility has not yet been activated on the Aurora system.
- Some of the salary estimates have not been signed off and dated by the relevant Manager(s).
- There has been some uncertainty as to the timing of changes to Unison subscriptions when there has been a change in salary. Unison has confirmed that it is the responsibility of Unison members to inform Unison of a salary change that could affect the amount of the Unison Subscription. Unison will then inform Payroll should a change be necessary. This is due to the Unison Member needing to be up to date with their subscription, to be entitled to Unison representation should they need it, but that this should not be the responsibility of the Payroll section. It is a concern that employees are not aware that this is the procedure and could be denied representation as a result of underpaid subs.

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

There were no high priority recommendations on this audit.

4.0 Conclusion

4.1 The audit plan is fairly well progressed this year; only a few days slippage on the Core audits is anticipated.

4.2 Outstanding audit recommendations are summarised at Appendix 1

4.3 Overdue high priority recommendations are at Appendix 2.

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

Incomplete Audits	Year	Recommendations											
		High			Medium			Low			Total		
		C	N	O	C	N	O	C	N	O	C	N	O
Car Park Income	2014	1			7					1	7	0	
Contracts	2014			1				1	3		1	3	1
Housing Benefits	2014				3	1					0	3	1
Leasing and Asset Management	2014					1		1			1	0	1
Procurement	2013			1	1	2		2	1		3	0	4
Trade Waste	2013				3	2		1	2		4	4	0
VAT	2014		1			1					0	2	0
Gifts & Hospitality	2014						1		2	2	0	2	3
Tiverton Pannier Market	2014				3		5	1		1	4	0	6
Data Protection	2014	2	1			1	2				2	2	2
ICT Core	2014	1				4			3		1	0	7
Building Control	2012				2		2	7	3		9	0	5
Health & Safety	2013				6		4	5			11	0	4
Leisure LMLC	2014				3	1		2			5	1	0
Payroll	2013				2		1				2	0	1
Payroll	2014					10					0	10	0
Sickness & Other Time Off	2012				2			1	3		3	0	3
Time Recording	2014				3	5	1				3	5	1
Travel & Subsistence	2013	1		1	2		1	4		1	7	0	3
Elections	2013				2			2	2		4	2	0
Customer Care - Complaints	2013				2		3	2		3	4	0	6
Council tax/NNDR	2014				2		4				2	4	0
Recovery	2009						1				0	0	1
Recovery	2012	1					1		2		1	0	3
Recovery	2013						1	1	1		1	0	2
Homelessness	2013						1	2			2	0	1
Housing H & S Management	2014		1				5				0	6	0
Housing Repairs & Maintenance	2014				1		3		2		1	0	5
Standby	2012				2		2				2	0	2
		6	3	3	36	39	37	32	9	22	74	51	62

CORE
SYSTEM

C = Completed 40%
N = Not yet due 27%
O = Overdue 33%

Audit Report - High Priority Outstanding Recommendations Appendix 2

Annual report for 2014-2015

Arranged by Service

Filtered by Flag: Include: Audit Recommendations

Filtered by Performance Status: Include Project Status: No Data available,
Milestone Missed, Behind schedule, On / ahead of schedule

Exclude Project Status: Cancelled, Completed and evaluated

Key to Performance Status:

Projects:		No Data available	Milestone Missed	Behind schedule	On / ahead of schedule	Completed and evaluated
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Human Resources	Head of Service: Jill May	Portfolio: n/a
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Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - TS 2.2 - H	<u>Provision for reviewing and recording drivers' insurance details consistently and in a centralised manner should be agreed and included in the Transport Policy. (see 2.4 below</u>	31/03/2014 (due)	12/09/2014		New Waste/Transport Manager commenced employment 01/09/14. Working with him to bring Transport Policy which should address this by 31/03/15.

Service: Procurement	Head of Service: Andrew Jarrett	Portfolio: n/a
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Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
No	A - 2013 - PC - 1.1 - H	<u>Put</u>	31/05/2014	09/02/2015		This

Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: Procurement		Head of Service: Andrew Jarrett			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Data available		<u>contracts in place where spend is over £50,000 in a year in accordance with the Financial Rules.</u>	(due)	(overdue)		recommendation will be reviewed upon the return of the Procurement Manager in April 2015.
No Data available	A - 2014 - CON - 2.1 - H	<u>Ensure that the supplier spend monitoring process resumes as soon as possible to ensure that the Council obtains the best prices and value for money.</u>	31/08/2014 (due)	09/02/2015 (overdue)		This recommendation will be reviewed upon the return of the Procurement Manager in April 2015.

Printed by: Catherine Yandle

SPAR.net

Print Date: Wednesday, March
11, 2015 12:28

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AUDIT COMMITTEE 24TH MARCH 2015

INTERNAL AUDIT STRATEGY 2015/16

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

Reason for Report: To present the Committee with the Internal Audit Strategy for the 2015/16 financial year.

RECOMMENDATION(S): The Committee approves the updated Internal Audit Strategy for 2015/16 (Appendix A).

Relationship to Corporate & Improvement Plan: A professional, independent and objective internal audit service is one of the key elements of good governance.

Financial Implications: None arising from this report

Legal Implications: None arising from this report

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

1.0 Introduction

1.1 In 2013 CIPFA adopted the PSIAS which encompass the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. These are:

- Definition of Internal Auditing
- Code of Ethics and
- International standards for the Professional Practice of Internal Auditing

1.2 The PSIAS replaced the *Code of Practice for Internal Audit in Local Government in the United Kingdom*. In local government, the PSIAS are mandatory for all principal local authorities and other relevant bodies subject to the Accounts and Audit (England) Regulations 2011 from 1 April 2013.

1.3 While an Internal Audit Strategy is not mandatory it provides a clear direction for internal audit activity and creates a link between the Internal Audit Charter and the Strategic Audit Plan. It is the intention to review the Internal Audit Strategy annually.

- 1.4 The Internal Audit Charter was approved at the Audit Committee meeting on 19 March 2013; this does not have to be reviewed annually and will next be reviewed in March 2016 unless there are significant changes required earlier.

2.0 Internal Audit Strategy 2015/16

- 2.1 The Internal Audit Strategy is the statement of how internal audit services will be delivered within Mid Devon District Council during the 2015/16 financial year to provide assurance to relevant stakeholders that the systems in place are working effectively and efficiently, enabling the Council to achieve its vision and priorities.
- 2.2 It describes the measures put in place to ensure compliance with the PSIAS and Internal Audit Charter.
- 2.3 There are tracked changes on the strategy at Appendix A to make the amendments clearer for the Committee.

3.0 Conclusion

- 3.1 The Committee approves the Strategy for 2015/16 (Appendix A).

Contact for more Information: Catherine Yandle, Audit Team Leader
Circulation of the Report: Cllr Peter Hare-Scott and Management Team
List of Background Papers: None

Internal Audit Strategy 20154/1516



1.0 INTRODUCTION

- 1.1 This Internal Audit Strategy is the statement of how Internal Audit services will be delivered and developed within Mid Devon District Council during the 20154/15-16 financial year to provide assurance to relevant stakeholders that the systems in place are working effectively and efficiently, enabling the Council to achieve its vision and priorities. It describes the measures in place to ensure compliance with the PSIA's and Internal Audit Charter.
- 1.2 This strategy will be updated and approved on an annual basis by the Audit Committee in conjunction with the Strategic Audit Plan.

2.0 DEFINITION OF INTERNAL AUDIT

- 2.1 *"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation achieve its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."*

3.0 PROFESSIONALISM

- 3.1 The Audit Team Leader is responsible for ensuring that job descriptions reflect current roles and responsibilities and that person specifications define the required level of qualification, competency, skill, experience and personal attributes for each role within the Audit Team.
- 3.2 All Internal Audit staff identify training needs as part of the appraisal and development process and are encouraged to undertake appropriate training, including in-house courses and external seminars as relevant to support their professional development. As Internal Audit examines the whole of the control environment the aim is to ensure that the skills mix within the service reflects this wider responsibility. This is a continual process.
- 3.3 The Audit Team Leader is a member of the Institute of Chartered Accountants in England and Wales. Both Auditors are members of the Association of Accounting Technicians.

4.0 AUTHORITY

- 4.1 As per the Financial Rules, The Audit Team Leader, or her representative from Internal Audit, shall, with full regard to the Data Protection and Human Rights requirements, have authority to:
- Have access to appropriate records, premises and personnel relevant to any function under review

Internal Audit Strategy 20154/1516



- Evaluate the adequacy and effectiveness of internal controls designed to secure assets and data
- Receive any information and explanation considered necessary concerning any matter under consideration
- Require any officer or other employee or agent of the council to produce cash, stores or any other property under his/her control
- Require a timely response to any findings and recommendations contained in audit reports

4.2 Internal Auditors must safeguard the information they receive in carrying out their duties. Any information gained in the course of audit work should remain confidential and there must not be any unauthorised disclosure of information unless there is a legal or professional requirement to do so. Any inappropriate disclosure of information by Internal Auditors could be a disciplinary offence.

4.3 Internal Audit operates a 'clear desk' policy to ensure that confidential information is held securely. Wherever possible, documents are held electronically, on the Audit drive, to which only Internal Audit has ~~have~~ access.

5.0 ORGANISATION

5.1 The Internal Audit Team Leader reports to the Audit Committee and Management Team in her own name.

5.2 The Audit Team Leader has direct access to the Head of Corporate Governance (Monitoring Officer), the Chief Executive, the Section 151 Officer, the Leader/Deputy Leader of the Council and the Chairman of the Audit Committee.

6.0 INDEPENDENCE AND OBJECTIVITY

6.1 This is largely a matter of attitude and independence of thought however there are a number of safeguards in place to maintain the Internal Audit Team's independence and objectivity, which include:

- All Internal Auditors complete an annual declaration of independence which highlights any relationships with employees or stakeholders. The Audit Team Leader then factors this information into the Audit Work Plan to ensure that any potential conflicts are avoided.
- Where an Auditor has worked in another department within the Council, this is also factored in and the Auditor will not audit that area for a minimum of two years from the date of commencement in Internal Audit.

Internal Audit Strategy 20154/1516



- The Audits within the Audit Work Plan are alternated where possible (within the constraints of the above) to ensure that Auditors are not continually working on the same assignments. This ensures that the risk of over-familiarity and complacency that could influence objectivity is reduced
- Where the Audit Team Leader has been the main auditor her work is reviewed by the Head of Communities & Governance (HOCCG).
- Where an audit relates to an area under the remit of the HOCCG the Audit Team Leader reports direct to the Chief Executive.

7.0 RESPONSIBILITY

7.1 Management Team ~~is~~are responsible for establishing the systems and activities under which the Council operates. This should include the internal control environment, risk management, governance, securing value for money, preventing and detecting fraud or other losses and compliance with legislation and council policy.

7.2 Internal Auditors will be alert in their work to risks and exposures that could allow fraud or corruption and to any indications that fraud and corruption may have been occurring. However audit procedures alone, even when performed with due professional care, cannot guarantee that all fraud or corruption will be detected.

7.3 The Audit Team Leader is a named contact point in the Council's 'Anti-fraud & Corruption', 'Anti-money Laundering' and 'Whistleblowing' policies and should be informed of all suspected or detected fraud, corruption or impropriety. She will consider any implications on the adequacy and effectiveness of the relevant controls for her overall opinion on the internal control environment.

7.4 The areas of risk and performance management are picked up in every audit. While Internal Audit has taken on the administration of SPAR they are not responsible for compiling or entering information on SPAR.

8.0 INTERNAL AUDIT PLAN

8.1 The Audit Team Leader should prepare a risk based audit plan taking account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.

8.2 However if an organisation is not sufficiently risk mature Internal Audit cannot prepare a risk based audit plan in the true sense as the risk register cannot be relied upon to have identified all key risks. MDDC is on the right track but service area's Operational and Strategic risks are noticeably absent from

Internal Audit Strategy 2015/16



SPAR. This is the area which now needs to be addressed. MDDC's current risk maturity is at the "defined" stage which is approximately midway on the scale from "naïve" to "enabled".

- 8.3 As a result the Audit Team Leader has to take an alternative approach and identify all systems operating within MDDC in order to establish the full size of the audit area potentially to be covered. This forms the Audit Universe.
- 8.4 All areas identified in the audit universe are subject to an audit needs risk assessment to identify their risk level and whether or not they are to be included in the Strategic Audit Plan which is a 4 year rolling plan revised annually to take into account the new priorities and risks of the Council.

The Audit Team Leader keeps up-to-date with such issues and risks from:

- Numerous corporate documents and through discussion with members of Management Team.
- Alerts about new legislation and government publications
- Access to meeting agendas and minutes and regular update meetings with the Head of Communities & Governance
- Attendance at the Devon Audit Group Meetings
- Local, National and professional publications
- Professional reference materials, forums and CPD

- 8.5 The overarching objective of the Strategic Audit Plan is to provide a comprehensive programme of audits, which allows assurance to be obtained from each audit as well as from a collective whole. It is not possible to cover all aspects of the internal control system in detail every year, essentially because there are not sufficient audit resources to permit this blanket coverage, but to ensure adequate coverage of the main areas to allow a general opinion to be obtained.

- 8.6 ~~This year the audit plan for 2014/15 is reduced due to the maternity leave of one auditor as was reported to the Audit Committee in January. Core audits and key systems audits will still be covered although flexibility and the ability to take on consultancy work will be reduced.~~

- 8.7 The position will be kept under review throughout the year. If necessary external resource will be bought in although there are other members of staff with audit experience at MDDC who may be called upon if necessary.

9.0 REPORTING AND MONITORING

- 9.1 Within 15 working days of completing the audit fieldwork, a draft report is issued to the Service Manager to check for factual accuracy prior to the exit

Internal Audit Strategy 2015/16



meeting. The exit meeting should be held within 2 weeks for the report to be finalised with the Manager and any other relevant staff.

- 9.2 Once the Audit Report has been finalised with the relevant Manager the report will then be circulated to their Head of Service and the Chief Executive for any further comments.
- 9.3 Once this stage is complete the final report is circulated to the S151 Officer, the Members of the Audit Committee, the Finance Cabinet Member and Grant Thornton.
- 9.4 Audit Opinion

Each Audit report will give an opinion as to the adequacy of the control environment, which will feed into the Outturn Audit Report and the Annual Governance Statement. The opinion is a statement of the Auditor's view and will be one of the following categories:

Well controlled – strong controls are in place and there is a minimal risk of serious loss or error

Adequately controlled – controls are in place but improvements would be beneficial. There is some risk of loss, fraud, impropriety or damage to reputation.

Poorly controlled – urgent systems revision is required to improve the level of control. There is a high risk of loss, fraud, impropriety or damage to reputation.

- 9.5 Report recommendations

When reports are issued, Service Managers are informed of areas where, in the opinion of Internal Audit, management action is required. To assist management, suggested solutions are made in the form of an Action Plan. Recommendations included fall into one of the following three categories:

High Priority – i.e. High risk This applies to audit findings, which are considered to relate to weaknesses in a fundamental control area. This may result in the breakdown of part/whole of the service and there could be the potential for fraud or irregularity. Key business risks remain unidentified and/or unmanaged, i.e. control systems do not exist or do not operate effectively. These recommendations need to be addressed within 3 months.

Medium Priority– i.e. Medium risk This applies to weaknesses in the control systems, which are not considered serious but may have some impact on the

Internal Audit Strategy 2015~~4~~/15~~16~~



service. Not all key risks may have been identified and/or managed effectively. These recommendations need to be addressed within 6 months.

Low Priority – i.e. Low risk This applies in respect of findings, which, although relatively minor and which may have little impact on the service, provide an opportunity to improve the control framework to ensure full compliance with expected controls. All key risks should have been identified, planned or prioritised. These recommendations will need to be addressed within 1 year.

9.6 Following the issue of the final report audit recommendations are monitored to ensure that they are implemented when appropriate in accordance with the agreed target dates. This is being done via SPAR.

9.7 The Audit Committee has the opportunity to discuss any items arising from the audit reports as a standing agenda item at each Audit Committee meeting.

9.8 Progress against the annual Audit Work Plan is also a standing item on the agenda. This includes the recommendations monitoring ~~reports~~ [Appendices](#) from SPAR.

9.9 The Audit Team Leader produces ~~an~~ the Audit Outturn report in May/June each year outlining the work completed by Internal Audit over the financial year and giving her overall opinion on the control environment.

10.0 PERIODIC ASSESSMENT

10.1 The Audit Team Leader provides each auditor with support and feedback during the audit process and through file reviews at the end of each audit.

10.2 A self-assessment is completed at the end of each year in accordance with guidance and paperwork from CIPFA by the HOCG. [This must be reviewed externally at least every 5 years, so it does not have to be done until 2019/20.](#)

10.3 Performance Indicators are monitored and reported on SPAR.

10.4 ~~For the external assessment requirement the Audit Team Leader has put in place peer review arrangements with other members of the Devon Audit Group (a networking group) to carry out the assessments required by the PSIA's.~~

AUDIT COMMITTEE 24TH MARCH 2015

STRATEGIC AUDIT PLAN FOR 2015/16

Cabinet Member Councillor Peter Hare-Scott
Responsible Officer Audit Team Leader

Reason for Report: To present the Strategic Audit Plan for 2015/16 to 2016/17 and the detailed Audit Work Plan for 2015/16.

RECOMMENDATION: The Committee approves the Audit Plans.

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

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

Legal Implications: Failure to produce a risk based audit plan would cause the Council to be in breach of the Public Sector Internal Audit Standards(PSIAS).

Risk Assessment: Without a strategic audit plan to adhere to, the Council is at risk of providing inadequate audit coverage on high-risk areas and no assurance on the control environment.

1.0 Introduction

- 1.1 The PSIAS require that the Audit Team Leader prepares a risk based strategic audit plan, which should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- 1.2 The draft plans were presented to this Committee for consideration at the meeting on 27 January; no changes were proposed at that meeting.
- 1.3 Subsequently, minor changes were proposed by management, these were to add areas such as social media, job evaluation and service charges to leaseholders. These increased the number of allocated audit days over the 4 year period by 30 with a corresponding reduction in "Other work" days. The amendments are reflected in the appendices to this report.

2.0 Recommendation

- 2.1 That the Committee approves the detailed Internal Audit Work Plan for 2015/16 which is attached at Appendix A and the four year Strategic Audit Plan 2015/16 to 2018/19 attached at Appendix B.

Contact for more Information: Catherine Yandle, Audit Team Leader
Circulation of the Report: Cllr Neal Davey and Management Team

INTERNAL AUDIT WORK PLAN FOR 2015/16 FINANCIAL YEAR

Audit/Task	Number of Days	Quarter 1 Apr to Jun	Quarter 2 Jul to Sept	Quarter 3 Oct to Dec	Quarter 4 Jan to Mar
Core Audits	170				
Council Tax/NNDR	20		X	X	
Income and Cash Collection	15		X	X	
Main Accounting System incl deeds testing	25		X	X	
Housing Benefits	20		X	X	
Creditors	15		X	X	
Housing Rents	20		X	X	
Treasury & Cashflow Management	5		X	X	
Payroll	15		X	X	
Recovery	15		X	X	
Car Parking Income/Trade Waste	15		X	X	
ICT Core	5		X	X	
Systems Audits	210				
Listed Buildings & Conservation Areas	10	X			
Grants, Subscriptions & donations	10	X			
Vehicles & Fuel (including inventory & maintenance)	10	X			
Emergency Planning	10	X			
Legal Services	10	X			
Leisure (Culm Valley)	15	X			
Refuse & Recycling (2 yearly)	20	X			
Recruitment, Selection and JE	10	X			
Electronic payments/online forms	10		X		
Information Security (2 yearly)	10			X	
Appraisals and Training	10				X
Freedom of Information	10				X
Gifts & Hospitality/Register of Interests (annual)	5				X
Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	10				X
Insurance/VAT	10				X
Private Sector Housing	10				X
Procurement/Contracts	20				X
Stores	5				X
Voids	5				X
Cemeteries & Bereavement Services	5				X
Service Charges	5				X
Corporate Work	50				
Spar	30	X	X	X	X
DAP peer review	5				X
Data Quality Assurance Checks	15	X	X	X	X
Other Work	75				
Fraud/Irregularity/Consultancy/Contingency		X	X	X	X
Total Scheduled Audit Days	380	95	95	95	95
Other	125	30	30	30	35
Total	505	125	125	125	130
Completed					
Scheduled/started					
Postponed					
	0	0%	0%	0%	0%

Audit Code	Audit Area	Year Last Audited	Days 2015/16	Days 2016/17	Days 2017/18	Days 2018/19	TOTAL
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CORE FINANCIAL AUDITS (Statutory Requirement -Annual)

CORE 1	Council Tax and NNDR	2014/15	20	20	20	20	80
CORE 2	Income and Cash Collection	2014/15	15	15	15	15	60
CORE 3	Main Accounting System (including Deeds Testing)	2014/15	25	25	25	25	100
CORE 4	Housing Benefits	2014/15	20	20	20	20	80
CORE 5	Creditors	2014/15	15	15	15	15	60
CORE 6	Housing Rents (including rent arrears)	2014/15	20	20	20	20	80
CORE 7	Treasury and Cashflow Management	2014/15	5	5	5	5	20
CORE 8	Payroll	2014/15	15	15	15	15	60
CORE 9	Recovery	2014/15	15	15	15	15	60
CORE 10	Car Parking Income) alternate years	2014/15		15		15	30
CORE 10	Trade Waste }	2013/14	15		15		30
CORE 11	ICT Core Audit	2014/15	5	5	5	5	20
TOTAL CORE FINANCIAL AUDITS			170	170	170	170	630

SYSTEMS AUDITS (Risk Based- mainly 4-yearly)**Human Resources (Jill Stimpson)**

HUR1	Time Recording System	2014/15				10	10
HUR2	Sickness and Other Time Off	2012/13		10			10
HUR3	Recruitment, Selection and JE	2009/10	10				10
HUR4	Appraisals and Training		10				10
HUR5	Travel and Subsistence (incl Pool cars)	2013/14			10		10
HUR6	Standby	2012/13		5			5
Human Resources Total			20	15	10	10	55

Financial Services & Procurement (Andrew Jarrett)

FIN1	VAT(2-yearly)	2014/15		10		10	20
FIN 2	Insurance(2-yearly)		10		10		20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	2014/15				15	15
FIN4	Procurement (2-yearly)	2013/14	20		20		40
FIN5	Contract Register & Contracts (2-yearly)	2014/15		20		20	40
Financial Services & Procurement Total			30	30	30	45	135

ICT (Christina Cross)

ICT1	Telephones - Fixed and Mobile	2014/15				5	5
ICT2	Information Security (2 yearly)	2009/10	10		10		20
ICT3	Computer Inventory - hardware and software	2012/13			10		10
ICT4	Data Protection(2-yearly)	2014/15		10		10	20
ICT5	Freedom of Information		10				10
ICT6	Gazateer Management - Street Naming & Numbering	2014/15				5	5
ICT7	Local Land Charges	2010/11		5			5
ICT Total			20	15	20	20	75

Planning (Jonathan Guscott)

PLA1	Building Control (incl income and all other areas)	2012/13		10			10
PLA2	Development Control including enforcement	2013/14			10		10
PLA3	Listed Buildings and Conservation Areas		10				10
PLA4	Forward Planning	2013/14				10	10
Planning Total			10	10	10	10	40

Public Health Services (Jill May)

PHS1	Environmental Health Commercial	2008/09			15		15
PHS2	Environmental Health Protection	2008/09		15			15
PHS3	Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	2013/14	10		10		20
PHS4	Licensing Services	2012/13		10			10
PHS5	Private Sector Housing	2013/14	10			10	20
Public Health Services Total			20	25	25	10	80

Leisure (Jill May) one a year

LEI1	Exe Valley Leisure Centre (incl income and all other areas)	2012/13		15			15
LEI2	Culm Valley Sports Centre (incl income and all other areas)	2012/13	15			15	30
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	2014/15			15		15
Leisure Total			15	15	15	15	60

Legal & Democratic Services (Amy Tregellas)

L&D1	Electoral Registration & Elections	2013/14			10		10
L&D2	Members Allowances	2011/12		10			10
L&D3	Gifts & Hospitality/Register of Interests (annual)	2014/15	5	5	5	5	20
L&D4	Legal Services		10			10	20
Legal & Democratic Total			15	15	15	15	60

Audit Code	Audit Area	Year Last Audited	Days 2015/16	Days 2016/17	Days 2017/18	Days 2018/19	TOTAL
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Street Scene (Andrew Jarett)

SSS1	Refuse & Recycling (2 yearly)	2011/12	20		20		40
SSS2	Vehicles & Fuel (including inventory & maintenance)		10			10	20
SSS3	District Officers	2011/12		10			10
SSS4	Street Cleansing & Public Cleaning			5			5
Street Scene Total			30	15	20	10	75

Customer Services (Liz Reeves)

CSE1	Customer Care/Complaints	2012/13		10			10
CSE2	Electronic payments/online forms/social media		10		10	10	30
Customer Services Total			10	10	10	10	40

Housing & Property Services (Nick Sanderson)

HPS1	Care Services (Alarm Income)	2010/11		10			10
HPS2	Repairs and Maintenance	2014/15				15	15
HPS3	Stores	2010/11	5				5
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2014/15		10		10	20
HPS5	Emergency Planning (also Business Continuity Planning) (2yrs)	2009/10	10		10		20
HPS6	Cemeteries & Bereavement Services		5				5
HPS7	Grounds Maintenance (Parks & Open Spaces)	2013/14			10		10
HPS8	Voids Management Arrangements	2009/10	5				5
HPS9	Lettings	2011/12		5			5
HPS10	Housing Homeless Persons	2013/14			10		10
HPS11	Service Charges		5				5
Housing & Property Services Total			30	25	30	25	110

Economic & Community Development (Amy Tregellas)

CDE1	Grants, subscriptions & donations		10				10
CDE2	Community Engagement & Consultation			10			10
CDE3	Economic Regeneration & Industrial Rents	2014/15			5		5
CDE4	Markets	2014/15				10	10
Economic & Community Development Total			10	10	5	10	35

SYSTEMS AUDITS TOTAL

210	185	190	180	765
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ASSURANCE WORK

	Data Quality Assurance Checks		15	15	15	15	60
	DAP peer review		5	5	5	5	20
	Spar		30	30	30	30	120
Assurance Work Total			50	50	50	50	200

OTHER WORK

	Fraud/Irregularity/Consultancy/Contingency		75	101	96	106	377
Other Work Total			75	101	96	106	377

SUMMARY					
Available Audit Days		505	506	506	506
Core Systems		170	170	170	170
Systems Audits		210	185	190	180
Assurance Work		50	50	50	50
Other Work		75	101	96	106
TOTAL		505	506	506	506

Mid Devon District Council Audit Committee Update

Year ended 31 March 2014

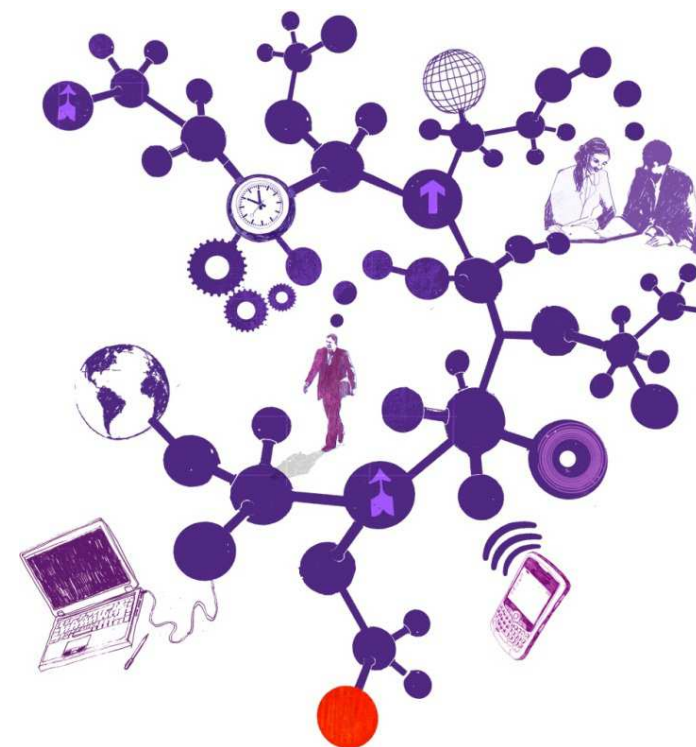
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Agenda Item 13.

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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Progress at 10 March 2015	5
Emerging issues and developments	7

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, 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:

- All aboard: Local Government Governance review 2015
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Pulling together the Better Care Fund
- Where growth happens, on the nature of growth and dynamism across England

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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Steve Johnson	Audit Manager	M 07880 456134	steve.p.johnson@uk.gt.com

Position at 10 March 2015

Work	Planned date	Complete?	Comments
<p>2014/15 Accounts Audit Plan</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>	March 2015.	In progress	Our initial planning work has now been completed. The results of our preliminary work are contained within the Audit Plan which is to be presented as a separate item on this Audit Committee agenda.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed work for the Value for Money conclusion. 	January to March 2015.	In progress	Our initial planning has now been completed. We continue to undertake early substantive testing as part of our interim review. Our audit plan and the initial findings from our preliminary work is to be presented as a separate item on the agenda to this meeting.
<p>2014/15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	29 June 2015 to 17 July 2015	No	The audit of the 2014/15 financial statements will be undertaken in June 2015 and reported to the July Audit Committee on the 28 July 2015

Position at 10 March 2015 (continued)

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</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"> • 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. • 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. 	March 2015 to July 2015.	Ongoing.	<p>An interim risk assessment has been completed as part of our initial risk assessment.</p> <p>Our detailed work will continue through to July 2015, when we are required to give our VfM conclusion in accordance with the statutory deadline.</p>
<p>Certify the Council's Whole of Government Accounts (WGA) return</p>	September 2015.	No.	This work will be completed as part of the final accounts audit later in the year.
<p>Grant claims and certification.</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>	June 2015 to November 2015.	No No	<p>Work will commence in September 2015.</p> <p>Work will commence in June 2015 and will be completed by November 2015.</p>

All aboard: Local Government Governance review 2015

Grant Thornton

Our fourth annual review into local authority governance aims to assist senior management and elected members of councils, fire & rescue authorities and police bodies to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Focusing on three particular aspects of engagement – within the organisation, with partners and with the public – the key messages from the report are:

- while more than 90% of those surveyed felt their organisations encouraged well-managed risk taking and innovation, 43% felt scrutiny committees were not challenging enough about the way authorities do things
- 84% of respondents said their organisations are now using or considering alternative delivery models but only 45% feel that scrutiny of service quality is sufficiently challenging
- 49% said the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements, while 42% saw no difference in local healthcare governance as a result of councils' new public health role
- annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand
- only 30% of cabinet positions in local authorities are held by women, while over half our survey say members do not adequately reflect the demographic profile of the local population.

Alongside the research findings, the report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

The report *Local Government Governance review 2015: All aboard* can be found on our website

http://www.grant-thornton.co.uk/Global/Publication_pdf/Local-government-governance-review-2015-All-aboard.pdf

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



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The Audit Plan for Mid Devon District Council

Year ended 31 March 2015

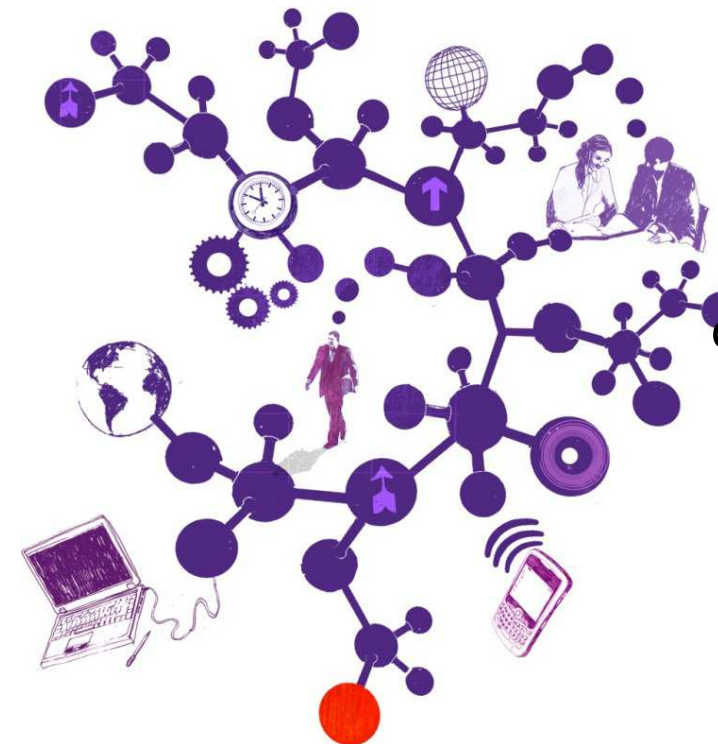
24 March 2015

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Agenda Item 14.

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.

Contents

Section

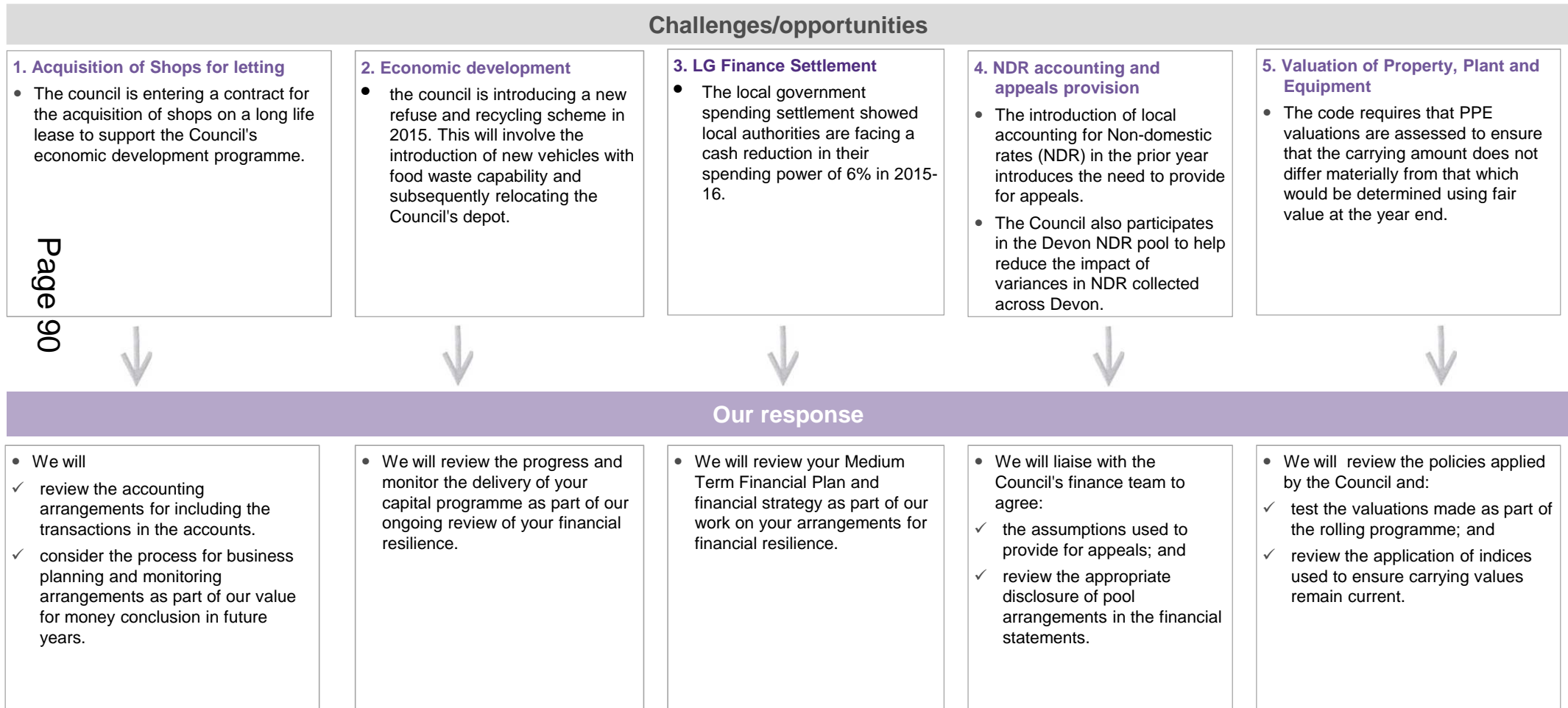
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks identified
6. Value for Money
7. Key dates
8. Fees and independence
9. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



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Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

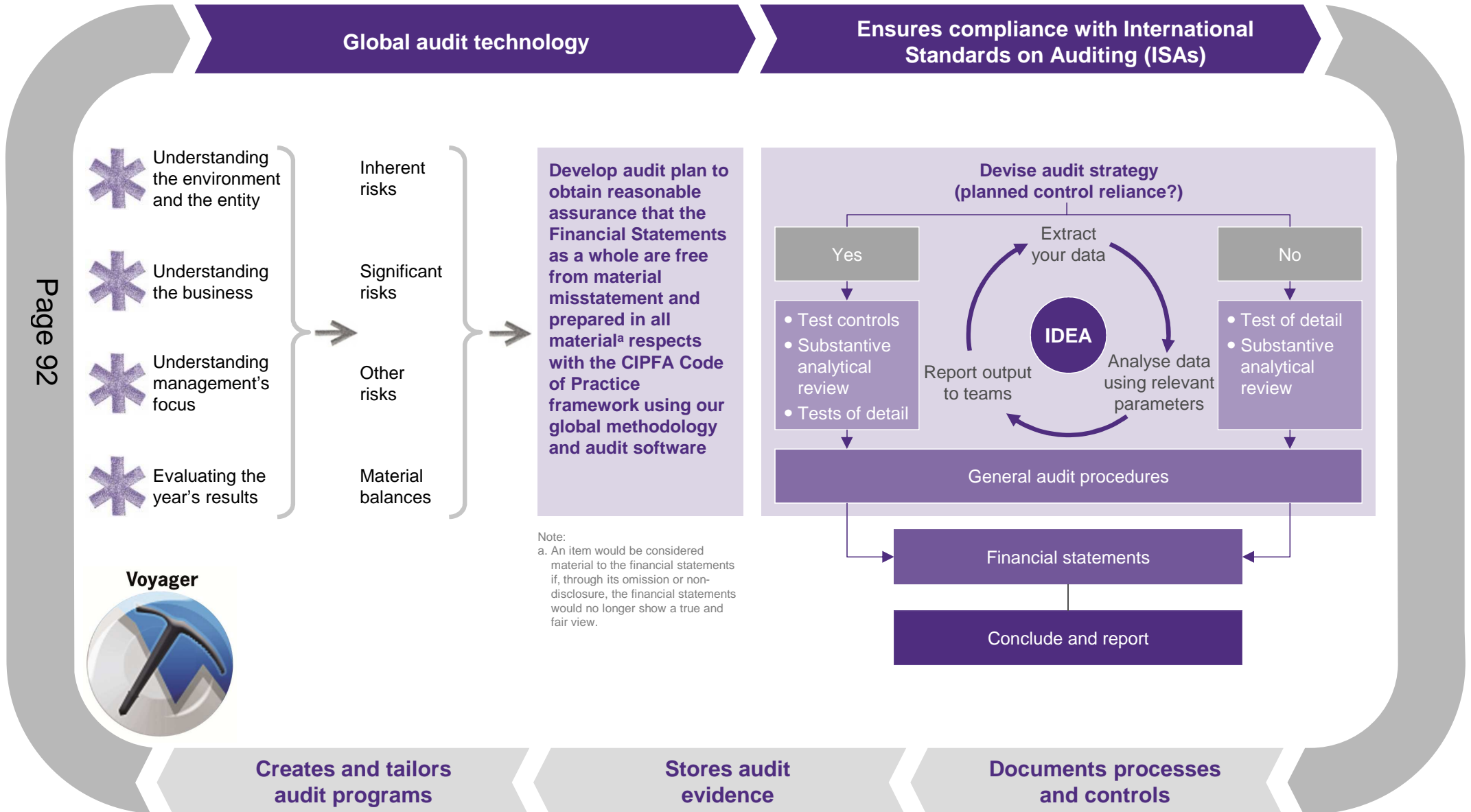
Developments and other requirements

<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS). • Explanatory foreword. 	<p>4. Better Care Fund</p> <ul style="list-style-type: none"> • Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015. 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource. • Progress against savings plans. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion. • The Council completes grant claims and returns on which audit certification is required
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Our response

<ul style="list-style-type: none"> • We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS. • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan. • We will undertake a review of Financial Resilience as part of our VfM conclusion. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements. • We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.
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Our audit approach



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Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 93</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Mid Devon District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • there are appropriate controls in place to mitigate the risk of revenue recognition; • the nature of all material categories of income means that improper recognition would be difficult to conceal; and • the culture and ethical frameworks of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable.
<p>Management over-ride of controls</p>	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual, significant journal transactions.

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses Page 94	Creditors understated or not recorded in the correct period	<p>Work completed:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. <p>Work planned:</p> <ul style="list-style-type: none"> Agree creditors to the ledger. Review of payments before and after year end to ensure tat they are allocated to the correct year and correctly recognised. Substantively test a sample of operating expenses. Discuss year end accruals process with accounting team.
Employee remuneration	Employee remuneration accruals understated	<p>Work completed:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. <p>Work planned:</p> <ul style="list-style-type: none"> Predictive analytical review. Substantively test a sample of remuneration transactions. Review the calculation of redundancy costs.

Other risks identified cont'd

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction. <p>Work planned:</p> <ul style="list-style-type: none"> • Completed uprating checklist. • Substantively test a sample of welfare claims. • Verifying system parameters. • Analytical Review. • Review the reconciliation of the housing benefit system to the general ledger. • Agree the Housing Benefit claim to the accounts.

Value for money

Value for money

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

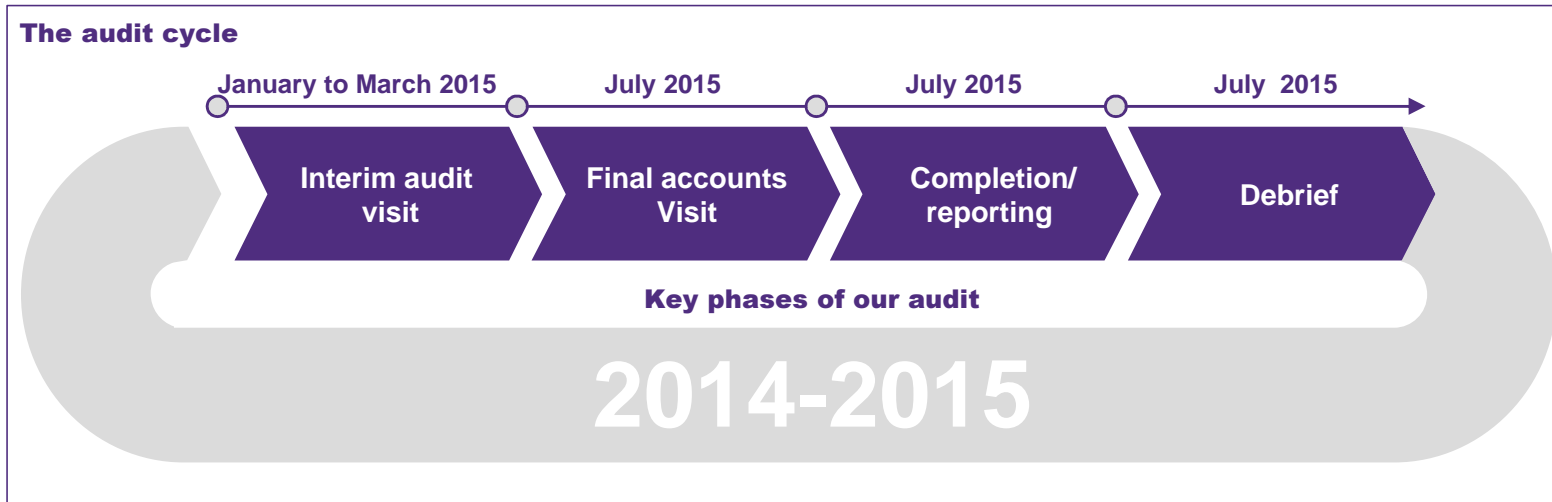
VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion.

We will undertake work to ensure that as well as addressing high risk area it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. We do not plan to undertake any other specific reviews to support our VfM conclusion.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will issue a separate report in respect of VfM and agree any additional reporting to the Council on a review-by-review basis.

Key dates



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Date	Activity
February 2015	Planning
5 March 2015	Interim site visit
24 March 2015	Presentation of audit plan to Audit Committee
July/August 2015	Year end fieldwork
20 July 2015 (TBC)	Audit findings clearance meeting with Head of Finance
28 July 2015	Report audit findings to those charged with governance (Audit Committee)
28 Julyr 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	63,600
Grant certification	10,374
Total fees (excluding VAT)	73,974

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
Challenge over the relocation of the TIC	1,500
Challenge to the variation of car parking charges	2,000

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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