

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 27 January 2015 at 6.00 pm
Exe Room, Phoenix House

Next ordinary meeting
Tuesday, 24 March 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 - 8*)
To approve as a correct record the Minutes of the Special Meeting held on 10 December 2014 (copy attached).
4. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
5. **Waste Performance - 2014/15** (*Pages 9 - 12*)
To receive a report from the Head of Finance updating members of the Audit Committee with regard to waste performance during 2014/15.
6. **Progress update on the Annual Governance Statement Action Plan** (*Pages 13 - 18*)
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.

7. **Independent review of Internal Audit against the Public Sector Internal Audit Standards (PSIAS)** (Pages 19 - 66)

To receive a report from the Head of Communities and Governance providing the Committee with details of the independent review undertaken which assessed the Internal Audit Service against the criteria in the Public Sector Internal Audit Standards (PSIAS)

8. **Internal Audit progress report** (Pages 67 - 76)

To receive a report from the Audit Team Leader updating the Committee on the work performed by Internal Audit for the 2014/15 financial year.

9. **Internal Audit reports**

Committee to discuss any issues arising from any Audit reports they have received since the last meeting. During discussion of this item it may be necessary to pass the following resolution to exclude the press and public having reflected on Article 12 12.02(d) (a presumption in favour of openness) of the Constitution. This decision may be required because consideration of this matter in public may disclose information falling within one of the descriptions of exempt information in Schedule 12A to the Local Government Act 1972. The Committee will need to decide whether, in all the circumstances of the case, the public interest in maintaining the exemption, outweighs the public interest in disclosing the information.

ACCESS TO INFORMATION ACT – EXCLUSION OF THE PRESS AND PUBLIC

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

10. **Draft Strategic Audit Plan for 2015/16** (Pages 77 - 84)

To receive a report from the Audit Team Leader presenting the Draft Strategic Audit Plan for 2015/16 to 2018/19 and the Draft Audit Work Plan for 2015/16.

11. **Performance and Risk for the first two quarters of 2014-15** (Pages 85 - 104)

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.

12. **Certification report 2013/14** (*Pages 105 - 112*)
To receive a report from Grant Thornton providing a summary of their assessment of the Council's arrangements in respect of the certification process and draw's attention to significant matters in relation to individual claims.
13. **External Audit update** (*Pages 113 - 126*)
To receive a report from Grant Thornton providing the Committee with an update on progress in delivering their responsibilities as the Council's external auditors.
14. **Protecting the Public Purse - Fraud briefing 2014** (*Pages 127 - 140*)
To receive a presentation from the external auditors regarding fraud and protecting the public purse.

Kevin Finan
Chief Executive
Monday 19 January 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.

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MID DEVON DISTRICT COUNCIL

MINUTES of a **SPECIAL MEETING** of the **AUDIT COMMITTEE** held on Wednesday 10 December 2014 at 5.30pm

Present

Councillors R Evans (Chairman), R M Deed, F J Rosamond and R Wright

Apology

Councillor: M D Binks

Also Present

Councillor: Mrs J Roach

Also Present

Officers: K Finan (Chief Executive), A Tregellas (Head of Communities and Governance and Monitoring Officer), C Yandle (Internal Audit Team Leader) and S J Lees (Member Services Officer)

59 **PUBLIC QUESTION TIME**

There were no members of the public present.

60 **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the Meeting held on 2 December 2014 were approved as a correct record and **SIGNED** by the Chairman.

61 **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

62 **AUDIT REPORT RECOMMENDATIONS (00:02:08)**

The Committee had before it 3 sets of appendices * showing a) the overall position of high, medium and low recommendations since 2012 for each audit b) a summary of the high priority outstanding recommendations and c) a full list of missed milestones, projects behind, ahead or on schedule.

Discussion took place regarding each of the appendices commencing with the overall summary position. The Chief Executive was asked to provide his comments on what appeared to be a significant number of overdue recommendations. He stated that he felt the summary showed a reasonably healthy position, that the Council had an active and diligent audit service and that it was good to have recommendations for improvement. With severe budget cuts managers had been placed under increasing pressure. There were some 'quick fixes' that could be achieved but other improvements were more complex and would need the involvement of other services such as ICT.

It was suggested that a culture existed where managers' compliance with agreed audit recommendations had secondary importance compared to the 'day job'. It was stated that such a situation would not be allowed to exist in the commercial world. However, the Chief Executive responded by saying that the recommendations needed to be viewed within the context of increased financial pressure and less staff resource. There was a difficulty when people left the organisation, as frequently happened, where recommendations got passed on to new members of staff who needed to be given time to familiarise themselves with their service area before acting on them.

It was felt that certain staff were being placed under extreme pressure as staff left or were made redundant. There was a fear that this additional pressure would lead to stress and sickness levels would rise. Cllr Mrs Roach stated that Members would need to look very carefully at what services the Council could strip out in the coming years given the severe financial pressures and effect upon the staff. Regarding audit recommendations managers would need to recognise that they had a responsibility to look carefully at these and to challenge recommendations if they were not realistically achievable within available resources.

The Chief Executive informed the Committee that the Council was about to have an audit by the Devon Audit Partnership which would include a survey which could reveal how the staff were coping with the extra pressure due to increased workloads. Cllr Mrs Roach, as Chairman of the Scrutiny Committee, also offered the services of her Committee to undertake a survey in this area.

Specific discussion took place regarding the following service areas:

Building Control

The audit had been completed in 2012, however, seven recommendations from this remained outstanding. The Chief Executive was questioned as to why this was. It was explained that there had been a recent redundancy meaning that extra work had been assigned to another member of staff. Going forwards, it was hoped that a solution could be found by working more closely with North Devon particularly in relation to ICT provision. It would take several months to see how this progressed, improvements would not be immediate.

Recording driver's insurance details

It was felt that lapses in the reviewing and recording of such documentation could leave the Council exposed to significant liability. It was explained that the recommendation related to casual users who may only use their own vehicles, once or twice a year, if the pool cars were not available. The Chief Executive stated that it was the individual's responsibility to provide proof of insurance should a situation occur, it was not the Council's responsibility. The Internal Audit Team Leader pointed out that occasional business use had been added to the Council's insurance cover. In addition to this the new Waste and Transport Manager was in the process of drawing up an all-encompassing Transport Policy which would cover such issues. However, the Committee felt that the last review had set a target of 6 months in order to

complete this project and they felt this to be too long. They considered that all high priorities risks should be given a maximum target date of 3 months because they needed immediate attention.

It was requested that clarity be sought regarding where Members stood on providing insurance cover when conducting official duties and using their own vehicles this would need investigating.

Waste Management

The Chairman stated that it was not acceptable to have 5 recommendations listed as behind schedule with the same repeated explanation being that 'The Waste and Transport Manager has discussed the report with the auditors and will look at the recommendations'. It was explained that the new manager had only started 3 months ago and had been reluctant to be pinned down to unachievable targets. He had taken on two large service areas and a meeting was planned with him in January to discuss his risk assessments. It was further explained that he had had to deal with a new depot location, new vehicles and had to organise a pilot for the new waste and recycling scheme in February 2015. Nevertheless it was felt by the Committee that the objective regarding the website could at least be achieved immediately. It was confirmed by the Head of Communities and Governance that this would be dealt with by her team as soon as possible whilst updating the business pages on the new website.

Leisure

The question was asked as to why ICT could not take more responsibility for ensuring that the Leisure software system was fit for purpose. It was explained that ICT were not experts in particular service areas, they were the interface between the users and the suppliers and had chief responsibility for maintaining the integrity of all the Council's systems.

It was **AGREED** that:

- a) An annual in depth discussion take place by the Audit Committee in May or June each year regarding outstanding audit recommendations as part of the annual Internal audit Outturn Report in preparation for preparing the Annual Governance Statement.
- b) The Chief Executive will have a discussion with service managers, looking at the outstanding audit recommendations and decide which needed to be prioritised. He also needed to inform them that the Audit Committee would be monitoring the situation closely.
- c) Target dates needed to be specific wherever possible and no more than 3 months long for high priority recommendations.

Notes: * Appendices previously circulated; copy attached to the signed Minutes.

(The meeting ended at 7.15pm)

CHAIRMAN

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Audit Committee 27 January 2015

Waste Performance - 2014/15

Cabinet Member: Cllr Neal Davey
Responsible Officer: Head of Finance

Reason for Report: To update members of the Audit Committee with regard to Waste performance during 2014/15.

RECOMMENDATION: That the update be noted.

Relationship to Corporate Plan: The Waste service is the highest cost/profile of all frontline services and in all customer feedback surveys constantly is viewed as the most important council service provide across the District.

Financial Implications: The 2014/15 budget for this service is £2.427m (excluding street cleansing).

Legal Implications: Not applicable.

Risk Assessment: Any changes to this service need to be very carefully planned out and trialled wherever possible/practical. The success, or not, after any changes needs to be reviewed and lessons learnt to aid future decision making.

1.0 Introduction

1.1 At a meeting of the Audit Committee held on 2 September 2014 Members asked for more information to be provided on the implementation/use of route optimisation. In addition, a further request was made relating to how the Council records missed collections.

2.0 Route Optimisation

2.1 When the Council made the strategic decision to purchase route optimisation software its objectives were threefold; firstly, to map all our routes on a computer database for the first time, enabling us to produce plans of routes, cover for driver absences, plan changes and try various 'what if' scenarios, etc. Secondly, to enable us to rearrange our rounds to sweep parts of the district on a more organised basis allowing for any support to be more readily provided by crews working adjacent areas, streamlining days of the week for collections in defined areas, etc. Finally, as a direct consequence of objectives 1 and 2, reduce the overall operating cost of the service.

2.2 Although our third and final objective has not yet been delivered/achieved, having completed the analysis for the first 2 objectives, this will help in the detailed round modelling process which will be required when changes are made from October 2015.

- 2.3 When the budget for Waste was set for 2014/15, it included circa £65k of savings that were estimated could be delivered once the new routes were implemented from the findings of our new route optimisation software. Clearly, we are now in a position to see how this process was delivered from an operational and financial perspective.
- 2.4 The aforementioned savings of circa £65k were estimated 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 4 rounds that this was not going to be operationally practical and soon after the new changes had been implemented, the rounds had to be recommended and hence we have not been able to deliver this estimated saving. In addition to this non-saving, we also incurred circa £10-15k in overtime to catch up on collection delays that had resulted. This has been well documented in the financial monitoring reports presented to both Cabinet and the PDGs from June onwards.

3.0 Collection statistics

- 3.1 The Council publishes, as part of its corporate service reporting process, statistics/information across a large range of services. For Waste, one of the statistics we report is the number of missed collections reported to us by our residents.
- 3.2 These statistics are generated from the number of calls that go through the Customer Relationship Management system (CRM), and adjusted to take account of the reason to why the collection was missed (i.e. was it down to a Council related problem/failure – vehicle breakdown, operative error, etc.) or an alternative reason (i.e. outside of the Council's control - adverse weather, road closure, customer error, etc.).
- 3.3 Appendix 1 shows the Council's collections statistics for 2014/15 (both numerically and graphically). This clearly indicates the peak in missed collections experienced during May, June and July, during our attempts to remove 4 rural rounds and our subsequent decision to reverse this decision. It is also apparent that from August onwards our number of missed collections are extremely low, which reflects the hard work of our waste operatives. It should also be remembered that the overall number of collections are increasing due to additional number of new properties in the District.

4.0 Conclusion

- 4.1 From both a budget and operational perspective we are planning major changes to our waste collection service with effect from October 2015 so it will be imperative that our all of our existing rounds are clearly mapped, which will enable us to run a number of new route scenarios and also that our financial and collection monitoring is as robust, accurate and timely as possible

Contact for more information: Andrew Jarrett, Head of Finance, 01884 23422
(ajarrett@middevon.gov.uk)

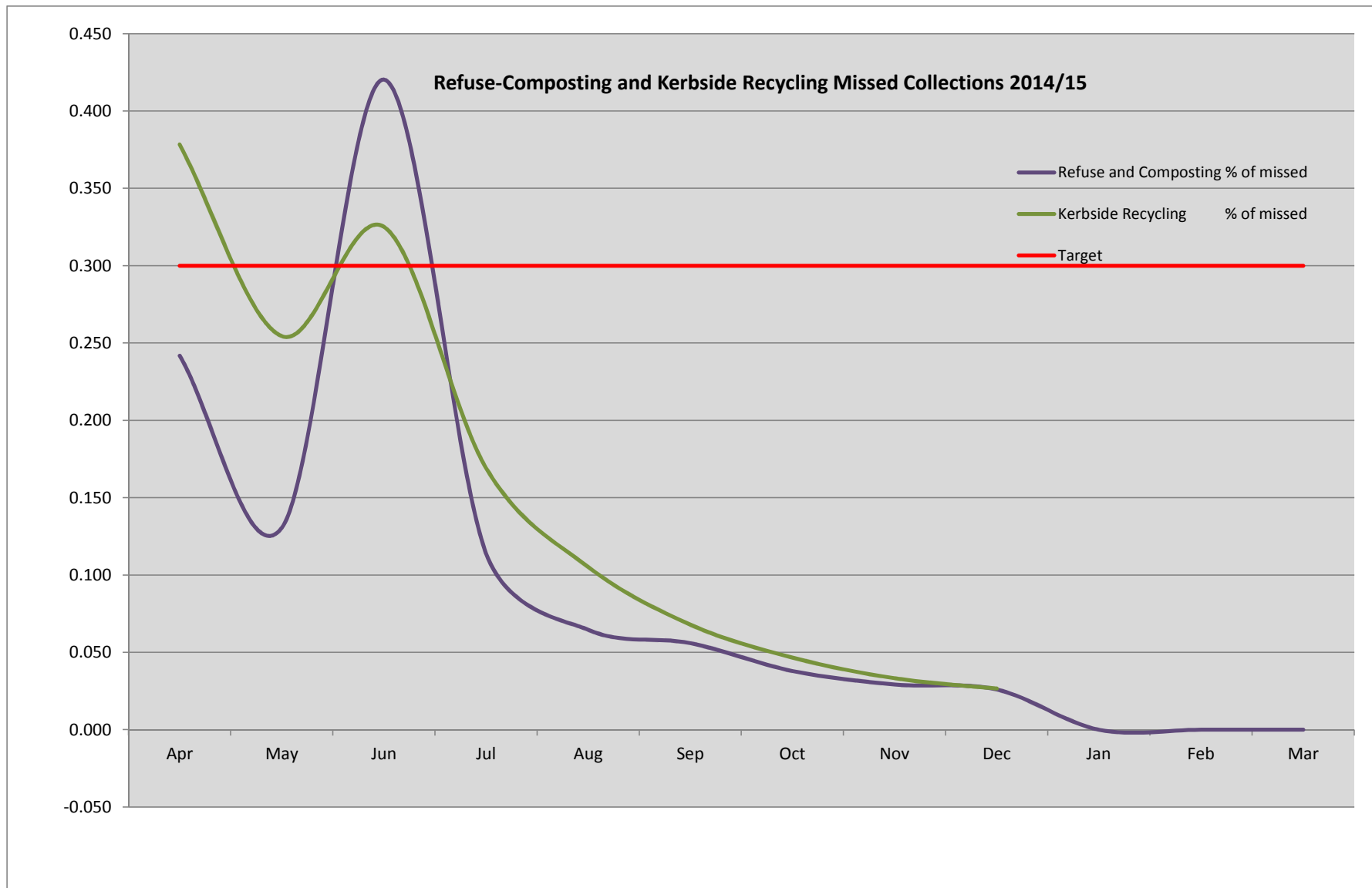
Circulation of the report: Cllr Neal Davey, Management Team

Refuse & Recycling Missed Collections 2014/15

Appendix 1

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Refuse and Composting Number of missed	363	196	631	171	97	84	57	44	39			
Kerbside Recycling Number of missed	284	191	244	127	79	51	35	25	20			

	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Refuse and Composting % of missed	0.242	0.131	0.420	0.114	0.065	0.056	0.038	0.029	0.026	0.000	0.000	0.000
Kerbside Recycling % of missed	0.378	0.254	0.325	0.169	0.105	0.068	0.047	0.033	0.027			
Target	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3



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AUDIT COMMITTEE 27 JANUARY 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 and request that progress against any outstanding actions be reported to their next meeting on the 24 March 2015.

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.

Legal Implications: None.

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 The next update of any outstanding recommendations will be presented to the Committee at their meeting on 24 March 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	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. 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	30 June 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 March 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 March 2015 Head of Communities and Governance	This will form part of the Corporate Plan project 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 July 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	The Budget will go to Council on the 25 th February for approval. 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.	Date not yet due
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	Action started – document has been reviewed but had not yet been to the Audit Committee due to the number of agenda items currently being dealt with by the Committee. Will be presented to the Audit Committee on the 24 th March 2015	
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	It was felt that this review would be light touch review initially when this target was set. However the Community Safety and Emergency Planning Officer has found that a more fundamental review of the Emergency Plan is needed with a focus on Preparing, responding and recovery. The Emergency Plan contact directory has been updated. The work on the Prepare and response plans has commenced and is to be finalised by the end of February 2015 and 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 are ready to go to Standards or will be ready to go to Standards in January/ February and March 2015. Likely to go 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 Constitution Working Group discussed the job descriptions in the model Constitution before Christmas but the group were not keen on their contents. The Monitoring Officer was asked to go away and see what other Councils have re job descriptions. This work has been done and the Constitution working group are having a session on job descriptions on the 15 th January 2015 to discuss. Once agreed this information will go to the Standards Committee	
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

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

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	
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		Date not yet due
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 27 JANUARY 2015:

INDEPENDENT REVIEW OF INTERNAL AUDIT AGAINST THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)

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

Reason for Report: To provide the Committee with details of the independent review undertaken which assessed the Internal Audit Service against the criteria in the Public Sector Internal Audit Standards (PSIAS)

RECOMMENDATION(S): That the Committee endorse the contents of the external consultants report in respect of the review of Internal Audit against the Public Sector Internal Audit Standards

Relationship to Corporate Plan: Internal Audit is a key part of the Council's Governance arrangements which underpin everything that the Council does

Financial Implications: None

Legal Implications: None

Risk Assessment: A poor assessment would identify that the Council has a weakness in its governance arrangements and could result in additional scrutiny from the external auditor.

Introduction

The Public Sector Internal Audit Standards came into effect from 1st April 2013, replacing the previous code of practice for internal auditors in local government in the UK.

As part of the Annual Governance Statement each year an internal review of the Internal Audit Service against the PSIAS is completed and this is attached as Appendix A.

As part of the requirements of the PSIAS the authority is required to have an independent review completed of the Internal Audit Service against the PSIAS. This has been undertaken by a consultant, Rob Willcocks, in November 2014 and his report is attached as Appendix B.

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

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

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
1. DEFINITION OF INTERNAL AUDITING					
	Using evidence gained from assessing conformance with other Standards, is the Internal Audit activity: (a) Independent? (b) Objective?	Y			The Internal Audit Service comes under the Communities and Governance service area and the Audit Team Leader reports to the Head of Communities and Governance (HOCG). If audit review an area under the remit of the HOCG they report directly to the Chief Executive
	Using evidence gained from assessing conformance with other Standards, does the internal audit activity use a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within the organisation?	Y			Details on the approach is laid out later in document
2. CODE OF ETHICS					
	Integrity Using evidence gained from assessing conformance with other Standards, do internal auditors: (a) Perform their work with honesty, diligence and responsibility (b) Observe the law and make disclosures expected by the law and the profession? (c) Not knowingly partake in any illegal activity nor engage in acts that are discreditable to the profession of internal auditing or to the organisation? (d) Respect and contribute to the	Y Y Y Y			The code of ethics is contained in the Internal Audit Charter and contains a section on integrity.

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	legitimate and ethical objectives of the organisation?				
	<p>Objectivity</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display objectivity by not:</p> <p>(a) Taking part in any activity or relationship that may impair or be presumed to impair their unbiased assessment?</p> <p>(b) Accepting anything that may impair their professional judgement</p> <p>(c) Disclosing all material facts known to them that, if not disclosed, may distort the reporting of activities under review</p>	<p>Y</p> <p>Y</p> <p>Y</p>			<p>The code of ethics is contained in the Internal Audit Charter and contains a section on Objectivity.</p> <p>The Audit Strategy section 6 also includes details on independence and objectivity and gives details of the safeguards that are in place</p>
	<p>Confidentiality</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display confidentiality by:</p> <p>(a) Acting prudently when using information acquired in the course of their duties and protecting that information</p> <p>(b) Not using information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation</p>	<p>Y</p> <p>Y</p>			<p>The code of ethics is contained in the Internal Audit Charter and contains a section on confidentiality.</p>

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	<p>Competency</p> <p>Using evidence gained from assessing conformance with other Standards, do internal auditors display competency by:</p> <p>(a) Only carrying out services for which they have the necessary knowledge, skills and experience?</p> <p>(b) Performing services in accordance with PSIAS?</p> <p>(c) Continually improving their proficiency and effectiveness and quality of their services, for example through CPD schemes?</p>	Y			<p>The code of ethics is contained in the Internal Audit Charter and contains a section on competency.</p> <p>New auditors work on audits with other team members until they are up to speed and have the necessary knowledge, skills and experience.</p> <p>All members of the team undergo on the job training as well as attending courses as necessary. The Audit Team Leader also regularly attends CPD training</p>
	Do internal auditors have regard to the Nolan Standards of Public Life's Seven Principles of Public Life?	Y			
3. ATTRIBUTE STANDARDS					
3.1 1000 Purpose, Authority and Responsibility					
	<p>Does the internal audit charter include a formal definition of:</p> <p>(a) the purpose</p> <p>(b) the authority, and</p> <p>(c) the responsibility</p> <p>of the internal audit activity consistent with the Public Sector Internal Audit Standards (PSIAS)</p>	Y			Section 4 of the Internal Audit Charter
LGAN	Does the Internal audit charter define the terms 'board' and 'senior management', for the purposes of the internal audit activity?	Y			Section 4.1.4 defines the 'board' as the Audit Committee and 4.1.5 defines 'senior management' as the Management Team
	Does the internal audit charter also:				
	(a) set out the internal audit activity's	Y			Section 4.2.3 outlines who the Audit Team

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	position within the organisation?				Leader reports to and where this sits in the organisation
	(b) Establish the CAE's functional reporting relationship with the board?	Y			Sections 4.2.5 and 4.2.6 outline who the Audit Team Leader has access to
LGAN	(c) Establish the accountability, reporting line and relationship between the CAE and those to whom the CAE may report administratively?	Y			Section 4.2.3 and 4.2.4
LGAN	(d) Establish the responsibility of the board and also the role of the statutory officers (such as the CFO, Monitoring Officer and the head of paid service) with regards to internal audit?	Y			Section 4.1.4, 4.2.3, 4.2.5 and 4.2.6. <i>Action: This could be added to by making reference to what is contained within the Constitution in respect of the Audit Committee and statutory officers when next reviewing</i>
	(e) Establish internal audit's right of access to all records, assets, personnel and premises and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities?		P		Whilst this is not in the Charter it is included in the Internal Audit Strategy (section 4.1) which is updated annually and published alongside the Charter.
LGAN	(f) Define the scope of internal audit activities?	Y			Section 4.6 nature of work, 4.7 engagement planning, 4.8 performing the engagement and 4.9 communicating results
LGAN	(g) Recognise that internal audit's remit extends to the entire control environment of the organisation?	Y			Set out in the definition 2.1 and section 4 on purpose, authority and responsibility
LGAN	(h) Identify internal audit's contribution to the review of effectiveness of the control environment, as set out in the Accounts and Audit (England) Regulations 2011?	Y			Section 4.1.1, 4.1.2 and 4.1.3
LGAN	(i) Establish the organisational independence of internal audit?	Y			Section 4.2 including safeguards to independence

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(j) Cover arrangements for appropriate resourcing?	Y			Section 4.5 managing the internal audit activity
	(k) Define the role of internal audit in any fraud-related work?	Y			Section 6 fraud and corruption
	(l) Set out the existing arrangements within the organisation's anti-fraud and anti-corruption policies, to be notified of all suspected or detected fraud, corruption or impropriety?		P		This requirement is included in the anti-fraud and anti-corruption policy and the accompanying flow diagram but is not included in the Internal Audit Charter
	(m) Include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities?	Y			Section 4.2 of the Charter and also covered in sections 6 and 7 of the Internal Audit Strategy
	(n) Define the nature of assurance services provided to the organisation, as well as assurances provided to parties external to the organisation?	Y			
	(o) Define the nature of consulting services?	Y			
	(p) Recognise the mandatory nature of the PSIAS?	Y			Reflected in both the Audit Charter and Strategy
	Does the Chief Audit Executive (CAE) periodically review the internal audit charter and present it to senior management and the board for approval?	Y			The Charter is scheduled to be reviewed every three years and is next due to be presented to the Committee in March 2016
	Does the CAE attend audit committee meetings?	Y			Yes the Audit Team Leader and the Head of Communities and Governance attend Audit Committee meetings and present reports in their own right
	Does the CAE contribute to audit committee agendas?	Y			Yes

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
3.2 1100 Independence and Objectivity					
	Does the CAE have direct and unrestricted access to senior management and the board?	Y			CAE reports to Head of Communities and Governance who is on Management Team and reports directly to the Chief Executive when auditing an area under the remit of the HOCG. CAE has the opportunity to meet with the Chairman and/or Vice Chairman of the Audit Committee at any time
	Does the CAE have free and unfettered access to, as well as communicate effectively with, the chief executive or equivalent and the chair of the audit committee?	Y			See above comment
	Are threats to objectivity identified and managed at the following levels: (a) individual auditor? (b) Engagement? (c) Functional? (d) Organisational?	Y Y Y Y			Individuals complete declaration of interest forms regularly and this is factored into which audits/engagements they do. If the auditor has worked in a previous department they are not able to audit that area for at least two years. As a function Internal Audit is an independent unit and whilst they pick up risk and performance as part of each audit and administer the SPAR system they are not responsible for compiling or entering information on the system. See earlier comments about organisational aspects
	<i>1100 Organisational Independence</i>				
	Does the CAE report to an organisational level equal or higher to the corporate management team?	Y			Report to the Head of Communities and Governance (Monitoring Officer) who is a member of the corporate management team. Where there is a conflict of interest in auditing

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
					services under the HoCG's remit the audit team report directly to the Chief Executive
LGAN	Does the CAE report to a level within the organisation that allows the internal audit activity to fulfil its responsibilities?	Y			To a member of MT
LGAN	Have reporting and management arrangements been put in place that preserve the CAE's independence and objectivity?	Y			Where there is a conflict of interest in auditing services under the HoCG's remit the audit team report directly to the Chief Executive
LGAN	Does the CAE's position in the management structure: (a) reflect the influence he or she has on the control environment? (b) Provide the CAE with sufficient status to ensure that audit plans, reports and action plans are discussed effectively with the board? (c) Ensure that he or she is sufficiently senior and independent to be able to provide credibly constructive challenge to senior management	Y Y Y			The CAE reports directly to a member of Management Team and will attend MT to discuss any relevant matters as and when appropriate
	Does the CAE confirm to the board, at least annually, that the internal audit activity is organisationally independent? The following examples can be used by the CAE when assessing the organisational independence of the internal audit activity. The board: (a) approves the internal audit charter? (b) Approves the risk-based audit plan?	Y Y			The Audit Committee do not currently have any authority over the appointment and removal of the Audit Team Leader – the postholder has been in post as the Principal Auditor since February 2009 and as Audit Team Leader since July 2011. Matters over the appointment and removal of staff are delegated to the Chief Executive and via onward delegation to the Heads of Service in

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(c) Approves the internal audit budget and resource plan? (d) Receives communications from the CAE on the activity's performance (in relation to the plan, for example) (e) Approves decisions relating to the appointment and removal of the CAE (f) Seeks reassurance from management and the CAE as to whether there are any inappropriate scope or resource limitations	Y		N	the Council's Constitution.
	Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance of the CAE?	Y			This is done by the Head of Communities and Governance and she discusses the performance of her direct reports with the Chief Executive
	Is feedback sought from the chair of the Audit Committee for the CAE's performance appraisal?			N	Currently no input is sought from the Chairman of the Audit Committee
	<i>1111 Direct Interaction with the Board</i>				
	Does the CAE communicate and interact directly with the board?	Y			The CAE attends all Audit Committee meetings and does email all members of the committee if and when appropriate to disseminate information
	<i>1120 Individual Objectivity</i>				
	Do internal auditors have an impartial, unbiased attitude?	Y			
	Do internal auditors avoid any conflict of interest, whether apparent or actual?	Y			Safeguards put in place to avoid any conflict of interest
	<i>1130 Impairment to Independence and Objectivity</i>				

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	If there has been any real or apparent impairment of independence or objectivity, has this been disclosed to appropriate parties (depending on the nature of the impairment and the relationship between the CAE and senior management/the board as set out in the internal audit charter)?	Y			Declarations of interest completed and this is factored into the audit plan
	Have internal auditors assessed specific operations for which they have been responsible within the previous year?			N	They are not responsible for any operations
	If there have been any assurance engagements in areas over which the CAE also has operational responsibility, have these engagements been overseen by someone outside of the internal audit activity?				Not applicable
LGAN	Are assignments for ongoing assurance engagements and other audit responsibilities rotated periodically within the internal audit activity?	Y			Wherever possible audits are rotated – depending on any declarations of interest
LGAN	Have internal auditors declared interests in accordance with organisational requirements?	Y			Audit have their own declaration of interest form
LGAN	Where any internal auditor has accepted any gifts, hospitality, inducements or other benefits from employees, clients, suppliers or other third parties (other than may be allowed by the organisation's own policies), has this been declared and investigated fully?	Y			The team know the process to follow but this has not arisen

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
LGAN	Have any instances been discovered where an internal auditor has used information obtained during the course of duties for personal gain?			N	
LGAN	Have internal auditors disclosed all material facts known to them which, if not disclosed, could distort their reports or conceal unlawful practice, subject to any confidential agreements?	Y			
LGAN	Have internal auditors complied with the Bribery Act 2010?	Y			
	If there has been any real or apparent impairment of independence or objectivity relating to a proposed consulting services engagement, was this disclosed to the engagement client before the engagement was accepted	Y			The only example here is where HR have asked a member of the audit team to do an investigation – if they know the individual then they have declined the engagement
	Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the board before the engagement was accepted				Not applicable
3.3 1200 Proficiency and Due Professional Care					
	<i>1210 Proficiency</i>				
	Does the CAE hold a professional qualification, such as CMIIA/CCAB or equivalent?	Y			Audit Team Leader is ICAEW qualified
	Is the CAE suitably qualified?	Y			
LGAN	Is the CAE responsible for recruiting appropriate internal audit staff, in	Y			

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	accordance with the organisation's human resources processes?				
LGAN	Does the CAE ensure that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes?	Y			
	Does the internal audit activity collectively possess or obtain the skills, knowledge and other competencies required to perform its responsibilities?		P		ICT skills are the issue – training being undertaken as per approval given by the Audit Committee who chose the option of training existing staff rather than buying expertise in
	Where the internal audit activity does not possess the skills, knowledge and other competencies required to perform its responsibilities, does the CAE obtain competent advice and assistance?	Y			
	Do internal auditors have sufficient knowledge to evaluate the risk of fraud and anti-fraud arrangements in the organisations?	Y			The team have had training on conducting investigations and are all aware of the arrangements for preventing fraud and corruption in the organisation
	Do internal auditors have sufficient knowledge of key information technology risks and controls?	Y			
	Do internal auditors have sufficient knowledge of the appropriate computer-assisted audit techniques that are available to them to perform their work, including data analysis techniques?		P		The Audit team don't use audit software but do use facilities from other systems to access reports and interrogate them for information relevant to the audit process. The Council does not have plans to purchase software for the audit team due to diminishing finances

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	<i>1220 Due Professional Care</i>				
	Do internal auditors exercise due professional care by considering the:				
	(a) extent of work needed to achieve the engagement's objectives?	Y			
	(b) Relative complexity, materiality or significance of matters to which assurance procedures are applied?	Y			
	(c) Adequacy and effectiveness of governance, risk management and control processes?	Y			
	(d) Probability of significant errors, fraud or non-compliance?	Y			
	(e) Cost of assurance in relation to potential benefits?	Y			
	Do internal auditors exercise due professional care during a consulting engagement by considering the:				
	(a) Needs and expectations of clients, including the nature, timing and communication of engagement results?	Y			
	(b) Relative complexity and extent of the work needed to achieve the engagement's objectives	Y			
	(c) Cost of the consulting engagement in relation to potential benefits?	Y			
	<i>1230 Continuing Professional Development</i>				
LGAN	Has the CAE defined the skills and competencies for each level of auditor?	Y			Through job description, person specification and organisational competencies

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
LGAN	Does the CAE periodically assess individual auditors against the predetermined skills and competencies?	Y			Through one to ones and appraisal training
	Do internal auditors undertake a programme of continuing professional development?	Y			
	Do internal auditors maintain a record of their professional development and training activities	Y			
3.4 1300 Quality Assurance and Improvement Programme					
	Has the CAE developed a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the internal audit activity and enables conformance with all aspects of PSIAS to be evaluated?	Y			Set out in the Internal Audit Charter section 4
	Does the QAIP assess the efficiency and effectiveness of the internal audit activity and identify opportunities for improvement?	Y			Internal Audit Charter section 4.4.2
	Does the CAE maintain the QAIP?	Y			
LGAN	If the organisation is a 'larger relevant body' in England, does it conduct a review of the effectiveness of its internal audit at least annually, in accordance with the Accounts and Audit (England) Regulations 2011 section 6(3)?	Y			Completed by the Head of Communities and Governance as a source of assurance for the Annual Governance Statement
	<i>1310 Requirements of the Quality Assurance and Improvement Programme</i>				
	Does the QAIP include both internal and external assessments?	Y			External assessment due to take place at the end of 2014 but it is listed in section 4 of the Internal Audit Charter

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	<i>1311 Internal Assessments</i>				
LGAN	Does the CAE ensure that audit work is allocated to staff with the appropriate skills, experience and competence?	Y			
	Do internal assessments include ongoing monitoring of the internal audit activity, such as: (a) Routine quality monitoring processes (b) Periodic assessments for evaluating performance with the PSIAS?	Y Y			Each audit is reviewed either by the Audit Team Leader or the HOCCG. A review of Audit against the PSIAS is completed as part of the sources of assurance for the AGS
LGAN	Does ongoing performance monitoring include comprehensive performance targets?	Y			Reported previously in performance and risk reports and now in the audit progress report
LGAN	Are the performance targets developed in consultation with appropriate parties and included in any service level agreement?		P		PIs are developed by the team and agreed by the Head of Service and then by Management Team as part of the service business plan process. Do not use SLAs
LGAN	Does the CAE measure, monitor and report on progress against these targets?	Y			
LGAN	Does ongoing performance monitoring include obtaining stakeholder feedback?		P		Survey's are issued to the clients for the systems audits but not the core audits which are completed each year
	Are the periodic self assessments or assessments carried out by people external to the internal audit activity undertaken by those with a sufficient knowledge of internal audit practices?		P		The annual review is completed by the Head of Communities and Governance so probably not as independent as could be but the officer does have knowledge of internal audit practices. In a small authority with limited resources it is difficult to think who else would do this work – it is reviewed and challenged

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
					by the Audit Committee members as they are briefed on the AGS sources of assurance annually
LGAN	Does the periodic assessment include a review of the activity against the risk based plan and the achievement of its aims and objectives?	Y			Progress reports are taken to Management Team and Audit Committee on a regular basis
	<i>1312 External Assessments</i>				
	Has an external assessment been carried out, or is planned to be carried out, at least once every 5 years?	Y			When the PSIAS came into effect the CAE informed the Audit Committee of the plans for review and the review is to be done later in 2014
LGAN	Has the CAE considered the pros and cons for the different types of external assessment (ie 'full' or self assessment plus 'independent validation')?	Y			Considered 'peer review' with the other Devon Districts and external auditor before agreeing on independent reviewer appointed by several of the other Devon Districts
	Has the CAE discussed the proposed form of the external assessment and the qualifications and independence of the assessor or assessment team with the board?	Y			
LGAN	Has the CAE agreed the scope of the external assessment with an appropriate sponsor, such as the chair of the audit committee, the CFO or the chief executive?	Y			With the Head of Communities and Governance (Monitoring Officer) who has briefed the Chief Executive
	Has the CAE agreed the scope of the external assessment with the external assessor or assessment team?	Y			
	Has the assessor or assessment team demonstrated its competence in both areas of professional practice of internal auditing	Y			

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	and the external assessment process?				
	How has the CAE used his or her professional judgement to decide whether the assessor or assessment team demonstrates sufficient competence to carry out the external assessment?	Y			
	Does the assessor or assessment team have any real or apparent conflicts of interest with the organisation? This may include, but is not limited to, being a part of or under the control of the organisation to which the internal audit activity belongs		P		The assessor is engaged by the Learning and development team to deliver training sessions at MDDC
	<i>1320 Reporting on the Quality Assurance and Improvement Programme</i>				
	Has the CAE reported the results of the QAIP to senior management and the board? Note that: (a) the results of both external and periodic internal assessment must be communicated upon completion (b) the results of ongoing monitoring must be communicated at least annually (c) the results must include the assessor's or assessment team's evaluation with regards to the degree of the internal audit activity's conformance with the PSIAS	Y Y Y			Progress reports are taken to Management Team and Audit Committee on a regular basis. The HOCG briefs the Audit Committee on the sources of assurance during a session on the Annual Governance Statement each year and members are given a copy of the assessment. This is prior to the June meeting of the Audit Committee each year. Once completed the independent review of the Audit Service will be given to Management Team and the Audit Committee members. Previous reports carried out by the external auditor were taken to the Audit Committee
	Has the CAE included the results of the	Y			Progress reports include the performance of

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	QAIP and progress against any improvement plans in the annual report?				the Internal Audit team against the targets in the annual audit plan and the performance indicators will now be included in these reports rather than in the revised performance and risk reports
	<i>1321 Use of 'conforms with the international standards for the Professional Practice of Internal Auditing'</i>				
	Has the CAE stated that the internal audit activity conforms with the PSIAS only if the results of the QAIP support this	Y			
	<i>1322 Disclosure of non-conformance</i>				
	Has the CAE reported any instances of non-conformance with the PSIAS to the board		P		The HOCG briefs the Audit Committee on the sources of assurance during a session on the Annual Governance Statement each year and members are given a copy of the assessment.
	Has the CAE considered including any significant deviations from the PSIAS in the governance statement and has this been evidenced	Y			Any areas for improvement are included in the Annual Governance Statement action plan
4. PERFORMANCE STANDARDS					
4.1 2000 Managing the Internal Audit Activity					
	Do the results of the internal audit activity's work achieve the purposes and responsibility of the activity, as set out in the internal audit charter	Y			
	Does the internal audit activity conform with the definition of Internal Auditing and the Standards	Y			

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	Do individual internal auditors, who are part of the internal audit activity, demonstrate conformance with the Code of Ethics and the Standards?	Y			
	Does the internal audit activity add value to the organisation and its stakeholders by: (a) providing objective and relevant assurance (b) contributing to the effectiveness and efficiency of the governance, risk management and internal control processes	Y Y			Not only do the audit team cover key controls they also look at all areas within a service area including risk assessments and management, performance management, policies and procedures and compliance with legislation and policies
	<i>2010 Planning</i>				
	Has the CAE determined the priorities of the internal audit activity in a risk based plan and are these priorities consistent with the organisation's goals?	Y			
	Does the risk based plan take into account the requirement to produce an annual internal audit opinion?	Y			Part of the annual report each year
	Does the risk based plan take into account the organisation's assurance framework?	Y			
	Does the risk based plan incorporate or is it linked to a strategic or high level statement of: (a) how the internal audit service will be delivered (b) how the internal audit service will be developed in accordance with the internal audit charter (c) how the internal audit service links	Y Y Y			Contained in the Internal Audit Strategy

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	to organisational objectives and priorities?				
	Does the risk based plan set out how internal audit's work will identify and address local and national issues and risks?		P		This is considered when the plan is set out but probably needs to be clearly formulated and set out in the plan
	In developing the risk based plan, has the CAE taken into account the organisations risk management framework and relative risk maturity of the organisation?	Y			
	If such a risk management framework does not exist, has the CAE used his or her judgement of risks after input from senior management and the board and evidenced this?	Y			The CAE is briefed by the HOCCG on a regular basis re corporate and service issues and the audit plan is discussed by Management Team before it goes to the Audit Committee for approval
LGAN	Does the risk based plan set out the: (a) audit work to be carried out (b) respective priorities of those pieces of audit work (c) estimated resources needed for the work	Y Y		N	Plan includes audits and number of days but not priorities
LGAN	Does the risk based plan differentiate between audit and other types of work?	Y			Splits it into core audits, systems audits, other work and contingency/ consultancy/ fraud
LGAN	Is the risk based plan sufficiently flexible to reflect the changing risks and priorities of the organisation	Y			Capacity built into the contingency section of the audit plan and in some cases one audit may be substituted for another in the plan
	Does the CAE review the plan on a regular basis and has he or she adjusted the plan when necessary in response to changes in the organisation's business, risks, operations, programmes, systems and	Y			The CAE reviews the plan at least quarterly throughout the year

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	controls?				
	Is the internal audit activity's plan of engagements based on a documented risk assessment?	Y			Work is being done to improve the risk assessment process and how it feeds into the plan
	Is the risk assessment used to develop the plan of engagements undertaken at least annually?	Y			
LGAN	In developing the risk based plan, has the CAE also considered the following: (a) any declarations of interest (for the avoidance for conflicts of interest?) (b) the requirement to use specialists e.g. IT or contract and procurement auditors? (c) Allowing contingency time to undertake ad hoc reviews of fraud or investigations as necessary? (d) The time required to carry out the audit planning process effectively as well as regular reporting to and attendance of the board, the development of the annual report and the CAE opinion?	Y Y Y Y			Declarations of interest are considered The plan includes reference to core audit, systems audits and other work
	Is the input of senior management and the board considered in the risk assessment process	Y			Management Team consider plan before it goes to Audit Committee
	Does the CAE identify and consider the expectations of senior management, the board and other stakeholders for internal audit opinion and any other conclusions	Y			
	Does the CAE take into consideration any	Y			

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	proposed consulting engagement's potential to improve the management of risks, to add value and to improve the organisation's operations before accepting them?				
	Are consulting engagements that have been accepted included in the risk based plan		P		It depends when they arise. A section on contingency/ consultancy and fraud is included in the audit plan as an investigation could arise at any time and cannot be planned for
	<i>2020 Communication and Approval</i>				
	Has the CAE communicated the internal audit activity's plans and resource requirements to senior management and the board for review and approval?	Y			The strategic audit plan (covering 4 years) goes to the Management Team and Audit Committee each March along with the annual work plan (splitting the workload of the team into quarters) for the next financial year.
	Has the CAE communicated any significant interim changes to the plan and/or resource requirements to senior management and the board for review and approval, where such changes have arisen?	Y			Most recent example is a revision to the plan due to one of the Auditors being on maternity leave
	Has the CAE communicated the impact of any resource limitations to senior management and the board?	Y			Discussions have taken place on whether to second someone internal to the team, use an agency member of staff or carry on with reduced capacity
	<i>2030 Resource Management</i>				
	Does the risk based plan explain how internal audit's resource requirements have been assessed?	Y			The available audit days calculation sits behind the audit plan
LGAN	Has the CAE planned the deployment of resources, especially the timing of	Y			The CAE schedules the audits as per the annual work plan and liaises with the relevant

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	engagements, in conjunction with management to minimise abortive work and time				service manager to ensure the timing is appropriate. A quarter at a time is normally planned
LGAN	If the CAE believes that the level of agreed resources will impact adversely on the provision of the internal audit opinion, has he or she brought these consequences to the attention of the board?	Y			Previously the HOCG has reported staffing issues to the Audit Committee and they have recommended that an additional post be added to the establishment
	<i>2040 Policies and Procedures</i>				
	Has the CAE developed and put into place policies and procedures to guide the internal audit activity?	Y			Audit manual
LGAN	Has the CAE established policies and procedures to guide staff in performing their duties in a manner that conforms to PSIAS? E.g. audit manual	Y			There is an audit manual in place
LGAN	Are the policies and procedures regularly reviewed and updated to reflect changes in working practices and standards?		P		Tends to be reviewed when a new member of staff is being appointed to the team
	<i>2050 Coordination</i>				
	Does the risk based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?			N	Only other source of assurance is external audit report and this has always picked up areas that audit have identified during the course of their work
LGAN	Has the CAE carried out an assurance mapping exercise as part of identifying and determining the approach to using other sources of assurance			N	Not relevant
	Does the CAE share information and coordinate activities with other internal and	Y			External audit get copies of all internal audit reports

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	external providers of assurance and consulting services?				
LGAN	Does the CAE meet regularly with the nominated external audit representative to consult on and coordinate their respective audit plans		P		The external auditors meet with various officers at MDDC when they feel it is appropriate to – however regular appointments have now been scheduled for 2014/15
	<i>2060 Reporting to Senior Management and the Board</i>				
	Does the CAE report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan	Y			Management team review all internal audit progress reports which go to the Audit Committee
	Does the periodic reporting also include significant risk exposures and control issues, including fraud risks, governance issues and other matters needed or requested by senior management and the board?	Y			Action plan as part of report includes findings, risks and recommendations. The audit client, Head of Service, Chief Executive and Audit Committee members receive copies of all audit reports
	Is the frequency and content of such reporting determined in discussion with senior management and the board and are they dependent on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management or the board?	Y			
	<i>2070 External Service Provider and Organisational Responsibility for Internal Auditing</i>				
	Where an external internal audit service				Not applicable – in-house service

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	provider acts as the internal audit activity, does that provider ensure that the organisation is aware that the responsibility for maintaining and effective internal audit activity remains with the organisation				
4.2 2100 Nature of Work					
	Does the internal audit activity evaluate and contribute to the improvement of the organisation's governance, risk management and internal control processes?	Y			Audits include coverage on controls, risk management arrangements and governance matters such as performance management and policies and procedures
	Does the internal audit activity evaluate and contribute to the improvement of the above using a systematic and disciplined approach and is this evidenced?	Y			Incorporated within the audit process and papers
	<i>2110 Governance</i>				
	Does the Internal audit activity: (a) Promote appropriate ethics and values within the organisation (b) Ensure effective organisational performance management and accountability? (c) Communicate risk and control information to appropriate areas of the organisation? (d) Coordinate the activities of and communicate information among the board, external and internal auditors and management	Y Y Y Y			Ethical matters are picked up during the course of audits and also other members of staff will make audit aware of any potential issues they may wish to look at during the course of their work
	Does the internal audit activity assess and make appropriate recommendations for	Y			If appropriate included in report

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	improving the governance process as part of accomplishing the above objectives				
	Has the internal audit activity evaluated the: (a) Design (b) Implementation, and (c) Effectiveness Of the organisation's ethics related objectives, programmes and activities?	Y Y Y			
	Has the internal audit activity assessed whether the organisation's information technology governance supports the organisation's strategies and objectives	Y			
LGAN	Has the CAE considered the proportionality of the amount of work required to assess ethics and information technology governance of the organisation when developing the risk based plan?	Y			Audits are factored into the plan
	<i>2120 Risk Management</i>				
	Has the internal audit activity evaluated the effectiveness of the organisation's risk management processes by determining that: (a) Organisational objectives support and align with the organisation's mission (b) Significant risks are identified and assessed (c) Appropriate risk responses are selected that align risks with the organisation's risk appetite (d) Relevant risk information is captured	Y Y Y Y			Internal Audit have full access to the SPAR system and all risks that have been identified – this is reviewed as part of the audit process along with any other risk assessments held by service areas e.g. leisure.

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	and communicated in a timely manner across the organisation, thus enabling staff, management and the board to carry out their responsibilities				
	Has the internal audit activity evaluated the risks relating to the organisation's governance, operations and systems regarding the: (a) Achievement of the organisations strategic objectives (b) Reliability and integrity of financial and operational information (c) Effectiveness and efficiency of operations and programmes (d) Safeguarding of assets (e) Compliance with laws, regulations, policies, procedures and contracts	Y Y Y Y Y			Results of evaluations are included in audit reports
	Has the internal audit activity evaluated the potential for fraud and also how the organisation manages fraud risk?		P		As part of their work but an assessment of fraud risk will be produced with the updated fraud policies later in 2014
	Do internal auditors address risk during consulting engagements consistently with the objectives of the engagement	Y			
	Are internal auditors alert to other significant risks when undertaking consulting engagements?	Y			
	Do internal auditors successfully avoid managing risks themselves, which would in effect lead to taking on management responsibility, when assisting management		P		The CAE does a risk assessment in respect of the operational risks for the audit service e.g. resources and manages any actions arising from the risk assessment

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	in establishing or improving risk management processes				
	<i>2130 Control</i>				
	Has the internal audit activity evaluated the adequacy and effectiveness of controls in the organisation's governance, operations and information systems regarding the: (a) Achievement of the organisation's strategic objectives (b) Reliability and integrity of financial and operational information (c) Effectiveness and efficiency of operations and programmes (d) Safeguarding of assets (e) Compliance with laws, regulations, policies, procedures and contracts	Y Y Y Y Y			As part of their audit process
	Do internal auditors utilise knowledge of controls gained during consulting engagements when evaluating the organisation's control process	Y			Where the auditors attend meetings or are asked to be a critical friend in other matters this information is picked up and considered when next audit of the area is done Also any information that they become aware of in terms of investigations also is considered when next completing audit of that area
4.3 2200 Engagement Planning					
	Do internal auditors develop and document a plan for each engagement		P		A testing plan is considered but this is not always documented on the audit file
	Does the engagement plan include the engagements: (a) Objectives (b) Scope	Y Y			Yes all contained within the Audit Brief but is called purpose of the audit rather than objectives <i>Action: Improve the section of the audit brief</i>

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(c) Timing (d) Resource allocations	Y Y			<i>re purpose of the audit and rename it objectives</i>
	Do internal auditors consider the following in planning an engagement, and is this documented: (a) The objectives of the activity being reviewed (b) The means by which the activity controls its performance (c) The significant risks to the activity being audited (d) The activity's resources (e) The activity's operations (f) The means by which the potential impact of risk is kept to an acceptable level (g) The adequacy and effectiveness of the activity's governance, risk management and control processes compared to a relevant framework or model (h) The opportunities for making significant improvements to the activity's governance, risk management and control processes	Y Y Y Y Y Y Y Y			At the start of each audit the auditors collect information including: <ul style="list-style-type: none"> • Corporate plan • Service business plan • Performance indicators and information • Risk assessments • Staffing structure and other records • Any policies or procedures relating to the service area <p>These documents are reviewed as part of the audit and recommendations made where appropriate. Section 5 of the Audit report contains an opinion on the risk management arrangements for that service area</p>
	Where an engagement plan has been drawn up for an audit to a party outside of the organisation, have the internal auditors established a written understanding with that party about the following: (a) Objectives				Not applicable – we haven't done any outside engagements

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(b) Scope (c) The respective responsibilities and other expectations of the internal auditors and the outside party				
	For consulting engagements, have internal auditors established an understanding with the engagement clients about the following: (a) Objectives (b) Scope (c) The respective responsibilities of the internal auditors and the client and other client expectations	Y Y Y			Not really applicable – only really have done investigations and the scope and objectives are set out in a meeting with the HR business partner
	For significant consulting engagements, has this understanding been documented				Not applicable
	<i>2210 Engagement Objectives</i>				
	Have objectives been agreed for each engagement	Y			Audit Brief
	Have internal auditors carried out a preliminary risk assessment of the activity under review?		P		Risk is considered based on knowledge within the team before each audit but not formally documented <i>Action: formally document preliminary risk assessment</i>
	Do the engagement objectives reflect the results of the preliminary risk assessment that has been carried out?			N	<i>Action: This will be improved as part of the work on the audit brief</i>
	Have internal auditors considered the probability of the following, when developing the engagement objectives: (a) Significant errors (b) Fraud (c) Non-compliance			N	<i>Action: This will be added as part of the work on the audit brief</i>

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(d) Any other risks				
	Have internal auditors ascertained whether management and/or the board have established adequate criteria to evaluate and determine whether goals and objectives have been accomplished	Y			Performance management objectives and process is corporate approach Also high level strategic action plans relating to the priority areas in the corporate plan
	If the criteria have been deemed adequate, have the internal auditors used the criteria in their evaluation of governance, risk management and controls?	Y			A recent review has been completed on the Councils performance and risk framework which the Audit Team Leader and HOCG have been involved in
	If the criteria have been deemed inadequate, have the internal auditors worked with management and/or the board to develop appropriate evaluation criteria	Y			As above – a report was presented to Scrutiny Committee and actions to be implemented
	If the value for money criteria have been referred to, has the use of all the organisation's main types of resources been considered; including money, people and assets	Y			Resources are considered as part of every audit and recommendations made re value for money
	Do the objectives set for consulting engagements address governance, risk management and control processes as agreed with the client	Y			
	Are the objectives set for consulting engagements consistent with the organisation's own values, strategies and objectives	Y			
	<i>2200 Engagement Scope</i>				
	Is the scope that is established for the engagement sufficient to satisfy the engagements objectives?	Y			Purpose of the audit is quite broad normally so the scope does fit to that

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	Does the engagement scope include consideration of the following relevant areas of the organisation: (a) Systems (b) Records (c) Personnel (d) Premises		P		These items are considered during the audit prep and audit work but it is not included specifically in the audit brief <i>Action: Consider reviewing the scope section of the Audit Brief to include these areas</i>
	Does the engagement scope include consideration of the following relevant areas under the control of outside parties, where appropriate: (a) Systems (b) Records (c) Personnel (d) Premises				Not applicable as the audit team have not done any engagements re outside parties (by that assuming this is parties external to the organisation)
	Where significant consulting opportunities have arisen during an assurance engagement, was a specific written understanding as to the objectives, scope, responsibilities and other expectations drawn up?				Not applicable – no significant consulting opportunities have arisen
	Where significant consulting opportunities have arisen during an assurance engagement, were the results of the subsequent engagement communicated in accordance with the relevant consulting Standards?				Not applicable – no significant consulting opportunities have arisen
	For a consulting engagement, was the scope of the engagement sufficient to address any agreed upon objectives?	Y			Only examples are investigations that have been undertaken
	If the internal auditors developed any	Y			Only examples are investigations that have

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	reservations about the scope of a consulting engagement while undertaking that engagement, did they discuss those reservations with the client and therefore determine whether or not to continue with the engagement?				been undertaken and any issues have been discussed with HR
	During consulting engagements, did internal auditors address the controls that are consistent with the objectives of those engagements?	Y			Controls considered if applicable to the investigation
	During consulting engagements, were internal auditors alert to any significant control issues?	Y			if applicable to the investigation
	<i>2230 Engagement Resource Allocation</i>				
	Have internal auditors decided upon the appropriate and sufficient level of resources required to achieve the objectives of the engagement based on: (a) The nature and complexity of each individual engagement (b) Any time constraints (c) The resources available	Y			Considered before undertaking any additional engagements and work is declined if it cannot be accommodated
	<i>2240 Engagement Work Programme</i>				
	Have internal auditors developed and documented work programmes that achieve the engagement objectives	Y			Testing undertaken in line with the purpose of the audit outlined in the audit brief
	Do the engagement work programmes include the following procedures for: (a) Identifying information (b) Analysing information (c) Evaluating information	Y Y Y			Whole process of collecting and analysing relevant information, systems description, test results and audit report

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(d) Documenting information	Y			
	Were work programmes approved prior to implementation for each engagement		P		A testing plan is considered but this is not always documented on the audit file For annual core audits the work programme is the list of key controls
	Were any adjustments required to work programmes approved promptly?	Y			
4.4 2300 Performing the Engagement					
	Have internal auditors carried out the following in order to achieve each engagement's objectives: (a) Identifying sufficient information (b) Analysing sufficient information (c) Evaluate sufficient information (d) Document sufficient information	Y Y Y Y			Undertaken in line with the purpose of the audit outlined in the audit brief. Collect information and then analyse and evaluate it through testing results sheet and then this forms the report.
	<i>2310 Identifying Information</i>				
	Have internal auditors identified the following in order to achieve each engagement's objectives: (a) Sufficient information (b) Reliable information (c) Relevant information (d) Useful information	Y Y Y Y			See above
	<i>2320 Analysis and Evaluation</i>				
	Have internal auditors based their conclusions and engagement results on appropriate analyses and evaluations?	Y			There is an audit trail between the audit test results and the audit report
LGAN	Have internal auditors remained alert to the possibility of the following: (a) Intentional wrongdoing (b) Errors and omissions	Y Y			Any areas of concern are flagged up to the Audit Team Leader and HOCG and/or Chief Executive

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	(c) Poor value for money (d) Failure to comply with management policy, and (e) Conflicts of interest When performing individual audits, and has this been documented?	Y			
	<i>2330 Documenting Information</i>				
	Have internal auditors documented the relevant information required to support engagement conclusions and results?	Y			There is an audit trail between the audit test results and the audit report
LGAN	Are working papers sufficiently complete and detailed to enable another experienced internal auditor with no previous connection with the audit to ascertain what work was performed, to re-perform it if necessary and to support the conclusions reached?		P		In some cases the audit test result sheets could do with a bit more detail but this is flagged up in the quality assurance process through the file review. The introduction of testing schedules is improving this situation
	Does the CAE control access to engagement records?	Y			The Audit drive is limited access and only relevant members of the team can access the info. Also employ a clear desk policy and keep information locked away. The audit client, Head of Service, Chief Executive and Audit Committee members receive copies of all audit reports
	Has the CAE obtained the approval from senior management and/or legal counsel as appropriate before releasing such records to external parties	Y			Reports are circulated to Audit Committee members and are there is a standing item on the Audit Committee agenda to discuss matters if relevant. Reports are not in the public domain and if relevant the Audit Committee move into Part 2 during their meeting to discuss particular items on audit reports.

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	Has the CAE developed and implemented retention requirements for all types of engagement records?	Y			In accordance with the Councils document retention guidelines. Information stored electronically wherever possible and these records are kept for a number of years
	Are the retention requirements for engagement records consistent with the organisation's own guidelines as well as any relevant regulatory or other requirements?	Y			
	<i>2340 Engagement Supervision</i>				
	Are all engagements properly supervised to ensure that objectives are achieved, quality is assured and that staff are developed?	Y			Where appropriate the auditors work together on audit assignments and the Audit team Leader reviews the file. The team regularly discuss what they are working on so the team learn from each other
	Is appropriate evidence of supervision documented and retained for each engagement?	Y			Review sheets for each audit
4.5 2400 Communicating the Results					
	Do internal auditors communicate the results of engagements?	Y			Through audit report
	<i>2410 Criteria for Communicating</i>				
	Do the communications of engagement results include the following: (a) The engagement's objectives (b) The scope of the engagement (c) Applicable conclusions (d) Recommendations and action plans, if appropriate	Y Y Y Y			Audit report includes the relevant sections from the audit brief – purpose of the audit, scope, audit opinion outlining conclusions and the action plan containing findings, risks, recommendations, priorities, responsible officer and target date
LGAN	Has the internal auditor discussed the contents of the draft final report with the	Y			An exit interview is held following the draft report being sent to the Audit client. This

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	appropriate levels of management to confirm factual accuracy, seek comments and confirm the agreed management actions?				covers factual accuracy and the client gives their responses to the recommendations and gives target dates for actioning any changes
LGAN	If recommendations and an action plan have been included, are the recommendations prioritised according to risk?	Y			Classed as High, medium or low risk and the definitions are set out in the Internal Audit Strategy
LGAN	If recommendations and an action plan have been included, does the communication also state agreements already reached with management, together with appropriate timescales?	Y			See above comment
LGAN	If there are any areas of disagreement between the internal auditor and management, which cannot be resolved by discussion, are these recorded in the action plan and the residual risk highlighted?	Y			If there is no agreement from the client the item remains listed in the report and disagreed is recorded. Audit clients have been challenged by the Chief Executive to agree to recommendations
LGAN	Do communications disclose all material facts known to them in their audit reports which, if not disclosed, could distort their reports or conceal unlawful practice, subject to confidentiality requirements?	Y			
LGAN	Do the final communications of engagement results contain, where appropriate, the internal auditor's opinions and/or conclusions, building up to the annual internal audit opinion on the control environment	Y			Includes audit opinion which states whether the area is well controlled, adequately controlled or poorly controlled and all opinions and the level of control feeds into the Audit Opinion in the annual audit report and the poorly controlled areas are also included in the Annual Governance Statement

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	When an opinion or conclusion is issued, are the expectations of senior management, the board and other stakeholders taken into account?	Y			
	When an opinion or conclusion is issued, is it supported by sufficient, reliable, relevant and useful information?	Y			The audit paperwork
	Where appropriate, do engagement communications acknowledge satisfactory performance of the activity in question	Y			Example again is investigation reports
	When engagement results have been released to parties outside of the organisation, does the communication include limitations on the distribution and use of the results?				Not applicable – no engagements in respect of outside bodies
LGAN	If the CAE has been required to provide assurance to other partnership organisations, has he or she also demonstrated that their fundamental responsibility is to the management of the organisation to which they are obliged to provide internal audit services				Not applicable – no engagements in respect of partnerships
	<i>2420 Quality of Communications</i>				
	Are communications: (a) Accurate (b) Objective (c) Clear (d) Concise (e) Constructive (f) Complete (g) Timely	Y Y Y Y Y Y Y			Audit reports are succinct and to the point. Where there are minor issues that would dilute the messages in the report they are reported to the Audit Client via Appendix A and this goes to them only. As soon as the reports have been finalised they are sent to the Audit Committee Members

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	<i>2421 Error and Omissions</i>				
	If a final communication has contained a significant error or omission, did the CAE communicate the corrected information to all parties who received the original communication?	Y			This would be the case but no examples of this have arisen
	<i>2430 Use of 'Conducted in Confidence with the International Standards for the Professional Practice of Internal Auditing'</i>	Y			
	Do internal auditors report that engagements are 'conducted in conformance with the PSIAS' only if the results of the QAIP support such a statement			N	<i>Action: Consider implementing this requirement</i>
	<i>2431 Engagement Disclosure of Non conformance</i>				
	Where any non-conformance with the PSIAS has impacted on a specific engagement, do the communication of the results disclose the following: (a) The principle or rule of conduct of the code of ethics or standard(s) with which full conformance was not achieved (b) The reason(s) for non-conformance (c) The impact of non-conformance on the engagement and the engagement results	Y Y Y			The area highlighted as non-conformance would not impact on the outcomes from the audit. If it did it would be reported Also the safeguards that the team have in place mean that ethical standards are considered before the commencement of the audit process therefore not requiring communication
	<i>2440 Disseminating Results</i>				
	Has the CAE determined the circulation of audit reports within the organisation,	Y			The audit client, Head of Service, Chief Executive and Audit Committee members

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	bearing in mind confidentiality and legislative requirements				receive copies of all audit reports Reports are circulated to Audit Committee members and are there is a standing item on the Audit Committee agenda to discuss matters if relevant. Reports are not in the public domain and if relevant the Audit Committee move into Part 2 during their meeting to discuss particular items on audit reports
	Has the CAE communicated engagement results to all appropriate parties?	Y			See above
	Before releasing engagement results to parties outside the organisation, did the CAE: (a) Assess the potential risk to the organisation (b) Consult with senior management and/or legal counsel as appropriate (c) Control dissemination by restricting the use of the results	Y Y Y			See above
	Where any significant governance, risk management and control issues were identified during consulting engagements, where these communicated to senior management and the board?	Y			As part of the audit report
	<i>2450 Overall Opinion</i>				
	Has the CAE delivered an annual internal audit opinion?	Y			May 2014
	Does the annual internal audit opinion conclude on the overall adequacy and effectiveness of the organisation's	Y			Section 25 of the annual audit report covers adequacy of the control environment and this is included along with comments re risk

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	framework of governance, risk management and control				management and governance in the annual governance statement
	Does the annual internal audit opinion take into account the expectations of senior management, the board and other stakeholders?	Y			It is discussed with Management Team before the report goes to Audit Committee and they receive a briefing on the sources of assurance for the Governance Statement each year
	Is the annual internal audit opinion supported by sufficient, reliable, relevant and useful information?	Y			The complete year's audit programme's papers
	Does the communication identify the following: (a) The scope of the opinion, including the time period to which the opinion relates? (b) Any scope limitations (c) The consideration of all related projects including the reliance on other assurance providers? (d) The risk or control framework or other criteria used as a basis for the overall opinion?	Y Y Y Y			In the annual audit report and Annual Governance Statement
	Where a qualified or unfavourable annual internal audit opinion is given, are the reasons for that opinion stated?	Y			Details are listed of any of the opinions that have been classed as 'poorly controlled'. This is in both the Annual Audit report and the Annual Governance Statement
	Has the CAE delivered an annual report that can be used by the organisation to inform its governance statement?	Y			The work of Internal Audit and the annual internal audit report is included in the AGS and details of any poorly controlled areas are listed under the
	Does the annual report incorporate the				

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
	following:				
	(a) The annual internal audit opinion?	Y			Section 25
LGAN	(b) A summary of the work that supports the opinion?	Y			Sections 5-24
LGAN	(c) A disclosure of any qualifications to the opinion	Y			In sections 5-25 via the audit opinions and in more detail in respect of 'poorly controlled' audit areas
LGAN	(d) The reasons for any qualifications to the opinion	Y			In sections 5-25 via the audit opinions and in more detail in respect of 'poorly controlled' audit areas
LGAN	(e) A disclosure of any impairments or restrictions in scope?	Y			If appropriate
LGAN	(f) A comparison or work actually carried out with the work planned?	Y			Section 4 – basis and completion of plan
	(g) A statement on conformance with the PSIAS	Y			Section 2 – compliance with standards
LGAN	(h) The results of the QAIP		P		Section 27 includes performance information but it does not give meaningful information such as results against performance indicators. However this information had been reported to the Management team and Audit Committee during the financial year through the performance and risk reports. The Audit Team Leader has reported on the progress of the team against the work programme in the audit progress reports as per the QAIP listed by the Audit Team Leader in the Internal Audit Charter

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
LGAN	(i) Progress against any improvement plans resulting from the QAIP	Y			The actions from the QAIP are reported to the Audit Committee in the Annual Governance Action Plan follow up's by the HOCCG
LGAN	(j) A summary of the performance of the internal audit activity against its performance measures and targets	Y			As previously performance indicators re core audits and systems audits delivered have been reported to the Audit Committee through the quarterly performance and risk reports. The Audit Team leader covers off how the team are doing against the Audit Plan in each of the progress reports that go to the Audit Committee
	(k) Any other issues that the CAE judges is relevant to the preparation of the governance statement	Y			
4.6 2500 Monitoring Progress					
	Has the CAE established a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action?	Y			Progress against recommendations is reported to Management Team and Audit Committee regularly and SPAR is used for service managers
	Where issues have arisen during the follow up process, has the CAE considered revising the internal audit opinion?		P		This has been done for certain areas where Members of the Audit Committee have raised a concern and a more detailed follow up review has been undertaken but is not applied across the board
	Do the results of monitoring management actions inform the risk based planning of future audit work?	Y			The last audit report and any outstanding actions are picked up when starting the audit
	Does the internal audit activity monitor the results of consulting engagements as agreed with the client?			N	Not normally applicable – especially if it is an investigation

CHECKLIST FOR ASSESSING CONFORMANCE WITH THE PSIAS

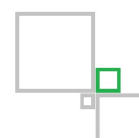
Ref	Conformance with the Standard	Yes	Partial	No	Evidence/Action
4.7 2600 Communicating the Acceptance of Risks					
	If the CAE has concluded that management has accepted a level of risk that may be unacceptable to the organisation, has he or she discussed the matter with senior management?	Y			Risk appetite has recently been reviewed by the working group looking at the performance and risk management arrangements. Any issues re risk management are reported to and discussed by Management Team
	If, after discussion with senior management, the CAE continues to conclude that the level of risk may be unacceptable to the organisation, has he or she communicated the situation to the board?	Y			Through the report covering outstanding recommendations and the quarterly performance and risk report

Mid Devon District Council**Review of Internal Audit Service
against Public Sector Internal Audit Standards (PSIA) Self Assessment****Independent Review Report****1. Introduction**

- 1.1 With effect from 1st April 2013, providers of internal audit services to all public sector organisations are required to adopt and work to a set of formal professional standards. These standards have been developed and jointly published by a number of professional CCAB and auditing bodies including the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Chartered Institute of Internal Auditors (CIIA).
- 1.2 The Standards provide a benchmark against which the management, organisation and delivery of internal audit services may be evaluated.
- 1.3 Every public sector body is required to ensure an ongoing commitment to the PSIA standards and, at least once every 5 years, arrange for the external assessment of the internal audit service against the standards whether that be:
- A full external review and assessment of the internal audit service or,
 - A detailed self assessment followed by an independent validation of the self assessment findings.
- 1.4 The Council carried out its review based on the latter approach and this report sets out the results of my independent review of the self-assessment.

2. Aim and Scope of the Review

- 2.1 This review is based on the content of the 2013 publication 'Public Sector Internal Audit Standards' and Mid Devon District Council's internal audit service providers self assessment against them. The internal audit service providers self-assessment sets out the status of the service as at November 2014.
- 2.2 This review aims to examine and report upon the content of the internal audit providers self-assessment with the aim of giving an independent view as to its completeness and accuracy and thus the extent to which the internal audit service provider meets the professional standards.



3. Potential Key Risks

- 3.1 This review is based on the following potential key risks based on the aim as outlined in 2.2 above:
 - a) The self assessment was incomplete – sections of the PSIAS were not covered;
 - b) The self assessment was inaccurate – theory and practice differ;
 - c) Insufficient evidence was supplied in order to make an assessment;
 - d) The evidence supplied was at odds with other evidence reviewed and/or general questioning/testing i.e. calling into doubt the overall validity of some or all of the self-assessment.

4. Review Programme

- 4.1 This review is based on 2 key stages, each stage designed to evaluate the internal audit providers self-assessment against the PSIA standards and ensure coverage of the key risks set out in 3.1 above.

Stage and Review Work/Test
<p>1. General Background</p> <p>1a – Examine the content of the internal audit providers self assessment and check that it covers each of the standards as set out in the PSIAS document, i.e. nothing has been overlooked (see 2.1 above)</p> <p>1b - Review the content of the internal audit service providers self assessment. Highlight areas where further explanation or detail of the management or processes are required and thereby test check the internal audit service providers recognition and understanding of key areas of the PSIA standards. Request further evidence where required in support of the self assessment as required.</p> <p>2. Compliance Checks</p> <p>2a – Based on the outcome of the discussions in 1b above together with an examination of the self-assessment, identify a sample of areas likely to lead to one of more of the key risks outlined in 3.1 above failing to be adequately covered.</p>

5. Findings/Matters Arising & Proposed Actions

- 5.1 The Audit Team Leader (Audit Manager) demonstrated a clear understanding of key areas of control within the PSIA standards and was able to provide evidence when asked in support of the self assessment.
- 5.2 The work programme for the Internal Audit service is based on an assessment of risk across all service areas. A rolling audit programme ensures that each main area of work is reviewed at least once every 4 years with core financial services being audited annually.
- 5.3 The Audit Manager demonstrated that she prepares her audit plans following discussions with senior managers and heads of service in so doing highlighting any new or emerging risks that may affect the level of audit time to allocate to a service area in the forthcoming year.
- 5.4 Consultation and approval of annual audit plans would appear to be in accord with the PSIA standards as are the requirements concerning resource allocation, monitoring and review of work allocated to auditors.
- 5.5 The Internal Audit Service would appear well respected within the Council and supported by a strong a stable Audit Committee.
- 5.6 There are a few areas of concern that I would draw to the Councils attention:
- a) **Risk Based Audit Plan** – It is understood that the allocation of days to audits in respect of the Internal Audit plan of work for 2014/15 was not based of a formal risk calculation model. However, the Audit Manager intimated that this will be re-introduced in the preparation of the 2015/16 plan.
 - b) **IT Auditing** – It is understood that the Audit Manager will not now undertake the IT audit training and thus provide the IT audit role within the authority. However, it is acknowledged that informal assurance of IT standards is taken from Gov Connect (the Council having to comply with their strict information management standards).
 - c) **Management of SPAR** – The Internal Audit service manages and oversees the update to and reporting from the SPAR performance management software. Although Internal Audit have no direct input into the SPAR system itself, being involved with the maintenance of the performance monitoring process may, in my view, impair the auditors objectivity if at some point it were requested to conduct an audit of the system. While it is acknowledged that managing SPAR has raised the profile of managing risks throughout the authority, it may now be time to hand over control of it to another service within the Council.
 - d) **General Changes** – It was noted that several changes are to be introduced following completion of the PSIAS self-assessment, including:
 - formally documenting a preliminary risk assessment when preparing the audit brief and..
 - auditors to consider significant errors, fraud and non-compliance when preparing the audit brief.

6. Reviewers Opinion

- 6.1 Taking into account the outcome of discussions with the Audit Manager coupled with the testing carried out I am of the opinion that the content of the 2014 self assessment of the Internal Audit service against the Public Sector Internal Audit Standards presents a true and fair view.

R.Willcocks IPFA, PRINCE2
13th November 2014

AUDIT COMMITTEE 27TH JANUARY 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 December 2014.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

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

2.2 Core Audits

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

2.2.2 The Core Audits have now been commenced in accordance with the Internal Audit Work Plan. The following Core audits are complete; ICT Core and Car Park Income. Council Tax/NNDR is almost complete.

2.2.3 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 until the Core audits for 2014/15 are complete. The present situation is this will result in no more being done and 4 audits being delayed until 2015/16 i.e. Listed Buildings & conservation, Grants & Donations, Vehicles and Emergency Planning.

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

2.4 Other Work

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

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

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

2.5 Performance Indicators

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

	Current	Target
Core	26%	50%
System	81%	80%

The Core audits are still scheduled to be complete by 30 March 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 **Car Park Income**

3.1.1 The responsibility for on street parking has now been transferred back to Devon County Council. Due to this and departmental restructuring the

administration for on street parking has been transferred from the Miscellaneous Income Section to the Environment and Enforcement section.

- 3.1.2 As a result of the change of staff and long term sickness, it has been difficult to complete some of the testing required for this audit, due to lack of detailed knowledge and information in some areas. Despite this the car parking service administration has been kept running by the current staff in a challenging time, and the staff deserve praise for this. They were also very helpful and tried to answer questions as best they could.
- 3.1.3 This highlights across all services the need for good procedure notes and to factor in a suitable handover period when services are restructured requiring staff to take on new duties in order to ensure a smooth transition.
- 3.1.4 Some of the 'housekeeping' tasks within the SPUR system which is used to record the Penalty Charge Notices need to be addressed as soon as possible.
- 3.1.5 The procedure for monitoring the return of staff parking permits once a member of staff leaves the council's employment also needs to be more robust.
- 3.1.6 It is the overall opinion of the auditor that the Car Parking system is adequately controlled.
- 3.1.7 There was only one high priority recommendation on this audit i.e.:

Post income in accordance with the machine tickets.

This was given a target date for completion of 31 January 2015.

Summary of Recommendations		
High	Medium	Low
1	6	0

3.2 VAT

- 3.2.1 One of the Accountants in Finance has taken on responsibility for VAT administration, preparation of the VAT returns each month and promoting awareness of VAT matters across relevant services such as legal and property services. She has also set in place excellent paperwork and processes for preparing and evidencing the VAT returns.
- 3.2.2 However, the Council is close to the 5% de minimis threshold for exempt tax and has several capital programmes planned which could affect the recovery of exempt tax in the future so care must be taken. The amount of exempt tax recovered under the Section 33 special rules is substantial; over £100k per annum on average.
- 3.2.3 Further awareness of the importance of using the correct VAT code particularly 8 and 9 needs to be promoted this could be via the procurement User Group maybe.

- 3.2.4 It is the overall opinion of the auditor that the process for reclaiming VAT is well controlled.
- 3.2.5 There was one high priority recommendations on this audit i.e.:

Consider use of a VAT consultant to scrutinise effect of planned capital expenditure.

This will be as required by the details of the project(s) under consideration.

Summary of Recommendations		
High	Medium	Low
1	1	0

3.3 Time Recording

- 3.3.1 The rules governing flexitime have been amended since the previous audit. One of the most significant changes being that for some employees there are no longer set times or 'core hours' where they have to be in their place of work. Instead, the rules now state that employees have to work a minimum number of 5 hours per day (or pro-rata if their contractual hours are less than 37 hours per week). However, there are exceptions to this rule where there is a business need e.g. Customer First which has to be staffed during certain hours.
- 3.3.2 The Human Resources department administers the Wintime system with support from four Officers in Customer Services, who manage most of the manual adjustments once they have been authorised by line managers. There is a facility within the Wintime system to produce monthly anomaly reports which can be sent to managers to enable them to monitor the time records of their staff and ensure the correct operation of the Wintime and flexi time systems. However, it was found that currently, not all managers were set up to receive these reports.
- 3.3.3 Despite the detailed guidance provided for managers and employees by HR, there are a number of weaknesses in the systems of internal check and control that need to be addressed. It is hoped that the upgraded system will address some of these; this is due to take place by 1 April 2015.
- 3.3.4 There is evidence to suggest that some employees may not be taking a mandatory lunch break, as they are failing to log out of the Wintime system during their working day for the minimum 20 minutes. This means that there is a risk that the Council may be in breach of the Working Time Rules.
- 3.3.5 Some employees regularly work outside of the office and use the Business Absence procedure to log out. If they do not return to the office that day the system automatically clocks them out at 5.00pm. It is apparent that some employees submit time reconciliations when they work beyond 5.00pm but there do not seem to be the same volume of adjustments for finishing before 5.00pm, therefore there is a lack of consistency in this area.

- 3.3.6 In the Guidance for managers for Wintime, the policy states that ‘*You may get a request from your employees whose flexi balance is over the credit limit of 20 hours (pro-rata) to move the lost hours to toil, this is not acceptable. Toil is calculated differently to flexi and you cannot convert*’. Despite this guidance, this has occurred on 2 cases out of the 30 sampled. There have also been 2 cases from the same sample where an amount of toil has been converted into pay for an employee which again is not allowed within the policy guidelines. However, it is recognised that with spending cuts and departmental restructuring, it may be necessary to allow this in exceptional circumstances and with authorisation from the Chief Executive or Head of HR & Development.
- 3.3.7 The Wintime system is not suitable for all employees e. g. in the case of Waste & Recycling operatives, who spend the majority of their time out of the office or work with others in a MDDC vehicle.

It is the overall opinion of the auditor that Flexitime is poorly controlled.

There were no high priority recommendations on this audit.

Summary of Recommendations		
High	Medium	Low
0	8	0

4.0 Conclusion

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

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

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

List of Background Papers: None

Audits	Year	Recommendations									Appendix 1				
		High			Medium			Low				Total			
		C	N	O	C	N	O	C	N	O		C	N	O	
Car Park Income	2014		1			5						0	6	0	
Contracts	2014			1				1	3			1	3	1	
Housing Benefits	2011					1						0	0	1	
Housing Benefits	2012							2	1			2	0	1	
Housing Benefits	2013					1	2	1	1			2	0	3	
Leasing and Asset Management	2014						1	1				1	0	1	
Main Accounting	2013											0	0	0	
Procurement	2013			1		1	2	2	1			3	0	4	
Trade Waste	2013						6	2	7			2	0	13	
VAT	2014		1			1						0	2	0	
Gifts & Hospitality	2012								1			0	0	1	
Gifts & Hospitality	2014					1		3				0	4	0	
Tiverton Pannier Market	2014					5	4	1	1			6	5	0	
Data Protection	2014	1	1	1		2	2					1	3	3	
ICT Core	2012					1	2					1	0	2	
ICT Core	2014			1		2	3	2	1			0	4	5	
Telephones	2014							1				1	0	0	
Building Control	2012					1	3	6	4			7	0	7	
Development Management	2013					2	1	2	1			4	0	2	
Health & Safety	2013					6	4	5				11	0	4	
Leisure	2012	5		0		5	1	13	1			23	0	2	
Leisure LMLC	2014					2	2	2				4	2	0	
Payroll	2013					1	2		1			1	0	3	
Sickness & Other Time Off	2012					2		1	3			3	0	3	
Time Recording	2014						8					0	8	0	
Travel & Subsistence	2013	1		1		2	1	4	1			7	0	3	
Elections	2013						1		4			0	0	5	
Customer Care - Complaints	2013						5	2	3			2	0	8	
Income & Cash Collection	2013											0	0	0	
Recovery	2009						1					0	0	1	
Recovery	2011								1			0	0	1	
Recovery	2012	1					1		2			1	0	3	
Recovery	2013						1	1	1			1	0	2	
Grounds Maintenance	2013						1					0	0	1	
Homelessness	2013						1	1	1			1	0	2	
Housing H & S Management	2014		1				5					0	6	0	
Housing Rents	2013											0	0	0	
Housing Repairs & Maintenance	2014					1	3		2			1	0	5	
Private Sector Renewal	2013	2				2	2	1				5	0	2	
Standby	2012					2	2					2	0	2	
		10	4	5		34	30	49	49	9	37	93	43	91	

CORE

C = Completed

SYSTEM

N= Not yet due
O= Overdue

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: I C T	Head of Service: Christina Cross	Portfolio: n/a
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Audit Report - High Priority Outstanding Recommendations Appendix 2

Service: I C T		Head of Service: Christina Cross			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
On / ahead of schedule	A - 2014 - DP - 3.1 - H	<u>The issue of who is monitoring the non PC users' acceptance of the DPP and Information Security needs to be resolved as soon as possible.</u>	31/10/2014 (due)	15/01/2015	Induction process is being changed to ensure managers brief non - computer using staff on compulsory policies.	Service Managers' responsibility
No Data available	A - 2014 - IC - 2.2 - H	<u>Remind Line Managers that they need to inform ICT as a matter of urgency when an agency workers starts, leaves or moves within MDDC.</u>	31/12/2014 (due)	15/01/2015 (overdue)	Starters and Leavers process is on Hornbill	

Service: Procurement		Head of Service: Andrew Jarrett			Portfolio: n/a	
Projects						
Project Status	Code	Objective	Project End	Last Review Date	Achieved	Arising
Behind schedule	A - 2013 - PC - 1.1 - H	<u>Put contracts in place where spend is</u>	31/05/2014 (due)	19/11/2014		The post of Corporate Procurement Manager is

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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
		<u>over £50,000 in a year in accordance with the Financial Rules.</u>				not being back filled so work on this will not commence until April 2015
Behind schedule	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)	19/11/2014		The post of Corporate Procurement Manager is not being back filled so work on this will not commence until April 2015

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AUDIT COMMITTEE 27TH JANUARY 2015

DRAFT STRATEGIC AUDIT PLAN FOR 2015/16

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

Reason for Report: To present the Draft Strategic Audit Plan for 2015/16 to 2018/19 and the Draft Audit Work Plan for 2015/16.

RECOMMENDATION: The Committee considers the draft audit plans and feeds back any amendments for inclusion in the final work plans due to be presented to this Committee on 24 March 2015.

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 (IATL) 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.

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 Public Sector Internal Audit Standards require that the IATL 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 In preparing these plans the IATL has taken all the usual factors into account (detailed below).

2.0 Risk Assessment Process

2.1 The number of available audit days has been allocated using a system of risk analysis (Appendix C). Criteria taken into account include materiality, changes to staff, legislation etc. The plan has also been updated to reflect changing priorities and the results of discussions with the CEO, Heads of Service and Service Managers.

2.2 Some areas viewed as high risk e.g. because of potential financial impact or damage to reputation are audited more frequently than the target 4-yearly minimum; these have all been scheduled annually/biennially as relevant.

2.3 Resources are of course finite so, where there are alternative forms of external assurance available, upon which reliance can be placed, these are taken into account in the allocation of time to reduce overlaps and gaps. Examples include QLM report on Leisure Health & Safety (especially the centres' Emergency Action Plans), SWAP on Wessex Home Improvement Loans, EDDC on Devon Home Choice and the work to gain the annual Public Computer Network Compliance Certificate.

2.4 Any weaknesses identified will of course be followed up in subsequent Internal Audit Work to verify that controls have been strengthened.

3.0 Core Audits

3.1 The "High" priority, annual audits, these at present are: Council Tax/NNDR, Income & Cash Collection, Main Accounting System, Housing Benefits, Creditors, Housing Rents, Treasury Management, Payroll, Recovery and ICT Core. Also Trade Waste and Car Park Income scheduled for alternate years.

4.0 Systems Audits

4.1 The frequency of these is determined by the risk assessment. Some are scheduled as annual e.g. Gifts and Hospitality because the Head of Service for Internal Audit is also the Monitoring Officer. Some are biennial e.g. Data Protection and Corporate Health and Safety because of high financial impact and severe reputational damage if there was an incident.

4.2 There are 4 audits postponed from 2014/15 these are all included in the plan for the 2015/16 financial year. The remaining time has been allocated based on perceived risk to MDDC and/or how long it is since the area was last looked at.

4.3 I am confident that this level of coverage combined with the prioritisation of higher risk audits will be sufficient for me to form an overall annual opinion on the internal control environment.

5.0 Other Work

5.1 The administration of SPAR and the Data Quality assurance checks completed on Committee reports will continue as usual. However now a full-time Corporate Health & Safety Officer is in place who will advise on Health & Safety risk assessments, this can only strengthen MDDC's Risk Management processes.

5.2 If there is the need for additional work to be done in exceptional circumstances and additional resources will be required the IATL will be able to call on the Head of Communities and Governance in the first instance and the Communities and Governance Business Support Officer who both have relevant experience.

5.3 Fraud and consultancy work - as required and resources allow.

6.0 Conclusion

- 6.1 This report outlines the Draft Annual Internal Audit Work Plan for 2015/16 which is attached at Appendix A and the Strategic four year Audit Plan attached at Appendix B.
- 6.2 The Internal Audit Leader would like feedback about any areas of concern to reflect in the Final Audit Plan to be presented for approval at the March meeting.

Contact for more Information: Catherine Yandle, Audit Team Leader

Circulation of the Report: Cllr Peter Hare-Scott 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	205				
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 and Selection	5	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
DAP peer review	5			X	
Corporate Work	45				
Spar	30	X	X	X	X
Data Quality Assurance Checks	15	X	X	X	X
Other Work	85				
Fraud/Irregularity/Consultancy/Contingency		X	X	X	X
Total Scheduled Audit Days	375	100	95	90	90
Other	130	25	35	35	35
Total	505	125	130	125	125
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 and Selection	2009/10	5				5
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			15	15	10	10	50

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

Street Scene (Andrew Jarrett)

Audit Code	Audit Area	Year Last Audited	Days 2015/16	Days 2016/17	Days 2017/18	Days 2018/19	TOTAL
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		10				10
Customer Services Total			10	10	0	0	20

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
Housing & Property Services Total			25	25	30	25	105

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

200	185	180	170	735
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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		85	101	106	116	407
Other Work Total			85	101	106	116	407

SUMMARY					
Available Audit Days		505	506	506	506
Core Systems		170	170	170	170
Systems Audits		200	185	180	170
Assurance Work		50	50	50	50
Other Work		85	101	106	116
TOTAL		<u>505</u>	<u>506</u>	<u>506</u>	<u>506</u>

Code	Description	TransValue	Income or Expenditure	Risk Factor (Monetary Value)	Inherent Risk	System Strength & Control	Stability & Complexity	Sensitivity	TOTAL SCORE	Calculated Days	Budget Days
CORE 1	Council Tax and NNDR	£67,000,000	INCOME	10	2.00	0.90	0.20	0.50	13.60	36.81	45
CORE 2	Income and Cash Collection	£5,000,000	INCOME	6	2.00	0.90	0.20	0.30	9.40	25.44	35
CORE 3	Main Accounting System (including Deeds Testing)	£100,000,000	EXPENDITURE	10	2.00	0.90	0.20	0.30	13.40	36.27	45
CORE 4	Housing Benefits	£15,000,000	EXPENDITURE	10	2.00	0.30	0.20	0.50	13.00	35.19	45
CORE 5	Creditors	£26,000,000	EXPENDITURE	10	2.00	1.50	0.20	0.50	14.20	38.43	45
CORE 6	Housing Rents (including rent arrears)	£13,000,000	INCOME	10	2.00	0.90	0.20	0.50	13.60	36.81	45
CORE 7	Treasury and Cashflow Management	£16,000,000	EXPENDITURE	10	1.20	0.90	0.20	0.30	12.60	12.63	15
CORE 8	Payroll	£14,000,000	EXPENDITURE	10	2.00	1.50	0.60	0.50	14.60	39.52	45
CORE 9	Recovery	£2,000,000	INCOME	6	2.00	0.90	0.60	0.30	9.80	26.53	35
CORE 10	Car Parking Income	£700,000	INCOME	4	2.00	0.90	0.60	0.50	8.00	21.65	20
CORE 10	Trade Waste	£600,000	INCOME	4	2.00	0.90	0.60	0.50	8.00	21.65	20
CORE 11	ICT Core Audit	£845,250	EXPENDITURE	4	2.00	0.30	0.60	0.30	7.20	19.49	20
NON-CORE AUDITS											
HUR1	Time Recording System	£1,000,000	EXPENDITURE	4	2.00	1.50	0.60	0.10	8.20	8.22	10
HUR2	Sickness and Other Time Off	£400,000	EXPENDITURE	2	1.20	1.50	0.60	0.10	5.40	5.41	10
HUR3	Recruitment and Selection	£239,960	EXPENDITURE	2	1.20	0.90	0.20	0.10	4.40	4.41	5
HUR4	Appraisals and Training	£162,360	EXPENDITURE	2	1.20	1.50	0.20	0.10	5.00	5.01	10
HUR5	Travel and Subsistence (incl Pool cars)	£150,000	EXPENDITURE	2	1.20	1.50	0.60	0.30	5.60	5.61	10
HUR6	Standby	£50,000	EXPENDITURE	1	1.20	1.50	0.60	0.30	4.60	4.61	5
FIN1	VAT(2-yearly)	£1,200,000	INCOME	6	2.00	0.30	0.60	0.10	9.00	18.04	20
FIN2	Insurances	£5,000,000	EXPENDITURE	6	1.20	0.30	0.60	0.10	8.20	16.44	20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	£10,000,000	EXPENDITURE	10	1.20	0.90	0.20	0.10	12.40	12.43	15
FIN4	Procurement (2-yearly)	£13,000,000	EXPENDITURE	10	2.00	1.50	1.00	0.50	15.00	30.07	35
FIN5	Contract Register & Contracts (2-yearly)	£13,000,000	EXPENDITURE	10	2.00	1.50	1.00	0.50	15.00	30.07	35
ICT1	Telephones - Fixed and Mobile	£99,000	EXPENDITURE	1	0.40	0.30	0.20	0.10	2.00	2.00	5
ICT2	Information Security	£400,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
ICT3	Computer Inventory - hardware and software	£600,000	EXPENDITURE	4	1.20	0.30	0.60	0.10	6.20	6.22	10
ICT4	Data Protection (2-yearly)	£400,000	EXPENDITURE	2	2.00	1.50	1.00	0.50	7.00	14.03	15
ICT5	Freedom of Information	£28,290	EXPENDITURE	1	2.00	1.50	1.00	0.30	5.80	5.81	10
ICT6	Gazateer Management - Street Naming & Numbering	£78,010	EXPENDITURE	1	0.40	0.30	0.20	0.10	2.00	2.00	5
ICT7	Local Land Charges	£99,000	INCOME	1	1.20	0.30	0.20	0.10	2.80	2.81	5
PLA1	Building Control (incl income and all other areas)	£300,000	INCOME	2	1.20	1.50	0.60	0.50	5.80	5.81	10
PLA2	Development Control including enforcement	£700,000	INCOME	4	1.20	0.90	0.60	0.50	7.20	7.22	10
PLA3	Listed Buildings and Conservation Areas	£120,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
PLA4	Forward Planning	£315,970	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
PHS1	Environmental Health Commercial	£500,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
PHS2	Environmental Health Protection	£500,000	EXPENDITURE	2	2.00	0.90	1.00	0.50	6.40	12.83	15
PHS3	Corporate Health & Safety incl Homeworking/Loneworking(2 yearly)	£60,000	EXPENDITURE	1	2.00	0.90	1.00	0.50	5.40	10.83	15
PHS4	Licensing Services	£120,000	EXPENDITURE	2	1.20	0.90	0.60	0.50	5.20	5.21	10
PHS5	Private Sector Housing	£500,000	EXPENDITURE	2	1.20	0.90	1.00	0.50	5.60	5.61	10
LEI1	Exe Valley Leisure Centre (incl income and all other areas)	£1,200,000	INCOME	6	2.00	0.90	1.00	0.50	10.40	10.43	15
LEI2	Culm Valley Sports Centre (incl income and all other areas)	£350,000	INCOME	2	2.00	0.90	1.00	0.50	6.40	6.42	10
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	£800,000	INCOME	4	2.00	0.90	1.00	0.50	8.40	8.42	10
L&D1	Electoral Registration & Elections	£131,070	EXPENDITURE	2	1.20	0.90	0.60	0.50	5.20	5.21	10
L&D2	Members Allowances	£421,730	EXPENDITURE	2	2.00	0.90	0.60	0.50	6.00	6.01	10
L&D3	Gifts & Hospitality/Register of Interests (annual)	£50,000	EXPENDITURE	1	1.20	0.90	0.20	0.50	3.80	15.24	20
L&D4	Legal Services	£250,000	EXPENDITURE	2	2.00	0.30	1.00	0.50	5.80	5.81	10
SSS1	Refuse & Recycling	£2,000,000	EXPENDITURE	6	2.00	1.50	1.00	0.50	11.00	22.05	20
SSS2	Vehicles & Fuel (including inventory & maintenance)	£2,000,000	EXPENDITURE	6	1.20	0.90	0.60	0.30	9.00	9.02	10
SSS3	District Officers	£500,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
SSS4	Street Cleansing & Public Cleaning	£462,750	EXPENDITURE	2	0.40	0.90	0.60	0.50	4.40	4.41	5
CSE1	Customer Care/Complaints	£50,000	EXPENDITURE	1	1.20	0.90	1.00	0.50	4.60	4.61	5
CSE2	Electronic payments/online forms	£6,000,000	EXPENDITURE	10	1.20	0.90	1.00	0.10	13.20	13.23	15
HPS1	Care Services (Wardens & alarms)	£450,000	EXPENDITURE	2	1.20	0.90	1.00	0.30	5.40	5.41	10
HPS2	Repairs and Maintenance	£2,500,000	EXPENDITURE	6	1.20	0.90	1.00	0.30	9.40	9.42	10

Risk Assessment Calculations 2004/05 to 2006/07

Weighting 1.0 Weighting 0.40 Weighting 0.30 Weighting 0.20 Weighting 0.10

7.40
2.70

Code	Description	TransValue	Income or Expenditure	Risk Factor (Monetary Value)	Inherent Risk	System Strength & Control	Stability & Complexity	Sensitivity	TOTAL SCORE	Calculated Days	Budget Days
HPS3	Stores	£500,000	EXPENDITURE	2	1.20	0.90	0.60	0.10	4.80	4.81	5
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	£5,000,000	EXPENDITURE	6	2.00	0.90	1.00	0.50	10.40	20.85	20
HPS5	Emergency Planning (also Business Continuity Planning)(2 yearly		EXPENDITURE	1	2.00	1.50	1.00	0.50	6.00	12.03	15
HPS6	Cemeteries & Bereavement Services	£23,590	EXPENDITURE	1	1.20	0.90	0.20	0.30	3.60	3.61	5
HPS7	Grounds Maintenance (Parks & Open Spaces)	£691,090	EXPENDITURE	4	1.20	0.90	0.20	0.30	6.60	6.62	10
HPS8	Voids Management Arrangements	£500,000	EXPENDITURE	2	0.40	0.90	0.20	0.10	3.60	3.61	5
HPS9	Lettings	£300,000	EXPENDITURE	2	1.20	0.90	0.20	0.10	4.40	4.41	5
HPS10	Housing Homeless Persons	£200,000	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
CDE1	Grants, subscriptions & donations	£150,000	EXPENDITURE	2	1.20	0.90	1.00	0.50	5.60	5.61	10
CDE2	Community Engagement & Consultation	£448,020	EXPENDITURE	2	1.20	0.90	0.60	0.30	5.00	5.01	10
CDE3	Economic Regeneration & Industrial Rents	£150,000	EXPENDITURE	2	1.20	0.90	0.60	0.10	4.80	4.81	5
CDE4	Markets	£150,000	INCOME	2	1.20	0.90	0.60	0.30	5.00	6.35	10
TOTAL									487.20		1040
AVERAGE									7.38		

AUDIT COMMITTEE 27 JANUARY 2015:

PERFORMANCE AND RISK FOR THE FIRST TWO 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 has improved this quarter but some of the improvement, to recycling for example, is to do with the time of year. The missed collections logged are markedly better now the new rounds have become established.
- 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 are either at or above target meaning that performance continues to be good with void times coming down significantly from 17 days for 2013-14 to 14 days for the first 6 months of 2014-15.
- 2.4 Rent Collection performance is very good with both PIs above target.

Community Well Being Portfolio - Appendix 3

- 2.5 The number of empty shops in quarter 2 has gone down for Crediton which is now on target; however both Tiverton and Cullompton have 1 more empty shop this quarter compared to quarter 1.
- 2.6 The Leisure performance is slightly below target.

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 high volume of complaints in the first quarter due to the waste round changes have had an impact on quarter 2 as well as some were still due to a delay in updating the system.

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 As Service Business Plans for 2014-15 are approved any risks identified which meet the above criteria for inclusion will be added to the corporate risk register.

3.3 The profile of these risks for this quarter is:

Impact	5	14	2			
	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% (2/4)	13.46%	14.13%		

Management Notes:
(Quarter 2)
Dry recycling continues to be around the 14% rate. The collection of cardboard and mixed plastics in the future will increase this rate .

(SN)

Above target	2012-2013 Best Performing District Councils	<u>Residual household waste per head</u>	482.3	455.0	227.5 (2/4)	115.8	223.7		
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Management Notes:
(Quarter 1 - 2)

Residual waste down slightly against same period last year. Possible that this relates to disruptions with service and householders finding alternative disposal routes.

(SN)

Above target	2012-2013 Above Median District Councils	<u>% of Household Waste Reuse, Recycled and Composted</u>	46.7%	50.0%	50.0% (2/4)	50.5%	51.6%		
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Management Notes:
(Quarter 2)

A 1% increase on the same 1/4 last year. This will relate to a reduction in waste arisings during the first half of the year. The recycling rate will also be higher in the 1st half of the year due to high levels of garden waste collected.

(SN)

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		
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Management Notes:
(Quarter 2)

The number of reported missed collections for this 1/4 (Jul- 171, Aug - 97, Sept - 84) have continued to fall as rounds have been become established. Approx. 151,000 collections made per month.

(SN)

No Target	2014-2015	<u>Number of Missed Collections logged per</u>	652			719	976		
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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

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	8 (2/4)	2	6		
Management Notes: (Quarter 2)								
Resources for delivery of this target need to be re-examined. Limited work is carried out by the PSH Lead officer as the Empty Homes delivery role has been stripped out of the PSH resource following various restructuring. This will need to be considered during the review of the current Empty Homes Strategy and Action Plan which runs out in March 2015								
(HS)								
Well below target	<u>Number of affordable homes delivered (gross)</u>	68	80	40 (2/4)	0	4		
Management Notes:								
On target	<u>% Emergency Repairs Completed on Time</u>	99.74%	100.00%	100.00% (6/12)	100.00%	100.00%		
Management Notes:								
On target	<u>% Urgent Repairs Completed on Time</u>	100.00%	100.00%	100.00% (6/12)	100.00%	100.00%		
Management Notes:								
On target	<u>% Routine Repairs Completed on Time</u>	99.96%	100.00%	100.00% (6/12)	100.00%	100.00%		
Management Notes:								
Above target	<u>% Repairs Completed at First Visit</u>	99.86%	99.90%	99.90% (6/12)	100.00%	100.00%		
Management Notes:								
Well above target	<u>Ratio of expenditure between planned and responsive repairs</u>	76.24	70.30	70.30 (2/4)	81.19	82.18		
Management Notes:								
Above target	<u>Rent Collected as a Proportion of Rent Owed</u>	100.66%	100.50%	100.50% (6/12)	98.09%	100.82%		
Management Notes:								
Well above	<u>Rent Arrears as a Proportion of Annual</u>	0.72%	1.00%	1.00% (6/12)	1.11%	0.47%		

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
target	<u>Rent Debit</u>							
Management Notes:								
Well below target	<u>% Decent Council Homes</u>	83.45%	100.00%	100.00% (6/12)	81.55%	89.20%		
Management Notes:								
(October)								
As at the end of September 147 properties had been completed with £400k of the back log funding.								
(NS)								
Below target	<u>% Properties With a Valid Gas Safety Certificate</u>	100.00%	100.00%	100.00% (6/12)	99.91%	99.72%		
Management Notes:								
(October)								
A bad month for instances of non-compliance, caused by a combination of poor administration in the main offices that issue the appointment letters and MDDC tenants not keeping appointments. All are now in the process of enhanced efforts to gain access. 2 are at the Administrator stage (Stage 3) the remainder require additional input from the contractor and MDDC before we can safely progress them to a higher level of intervention. The hope is to gain access before the need to take further (Legal) action.								
(WD)								
Well below target	<u>Average Days to Re-Let Local Authority Housing</u>	19.9days	17.0days	17.0days (6/12)	20.0days	22.6days		
Management Notes:								
(October)								
We have now divided the time spent in Housing Needs into lettable and un-lettable days. The un-lettable days relate to the period between when the keys are returned from Repairs and the following Monday, as Monday is the first day a property can be let. In September there were 2 days "un-lettable "time with Housing Needs.								
(MP)								

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:

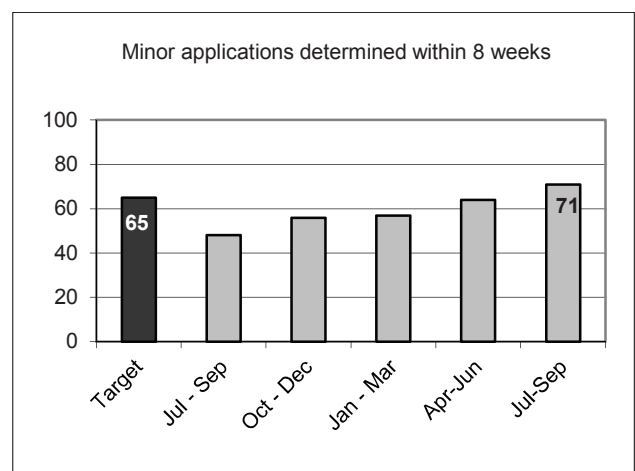
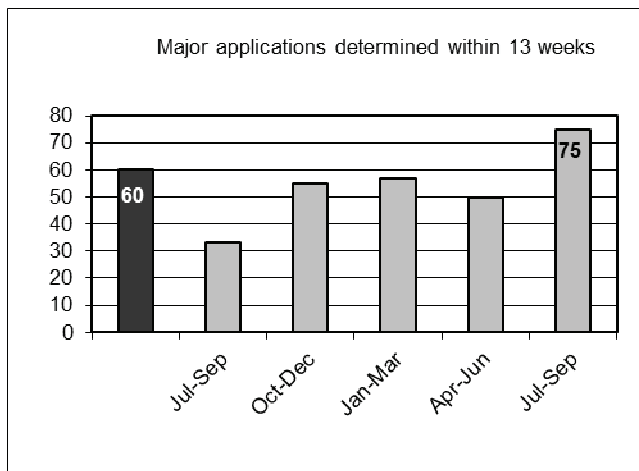
Performance Indicators:	No Data	Well below target	Below target	On target	Above target	Well above target
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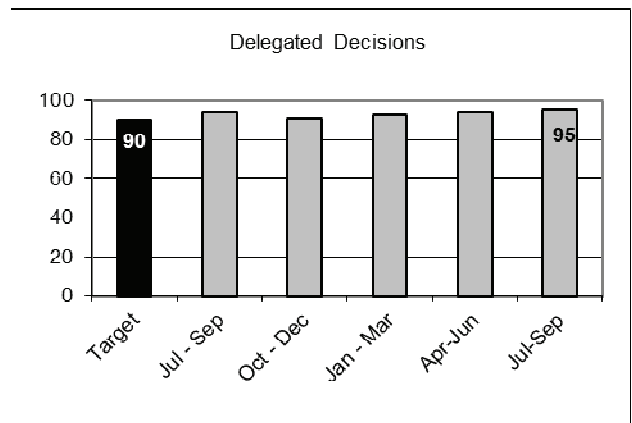
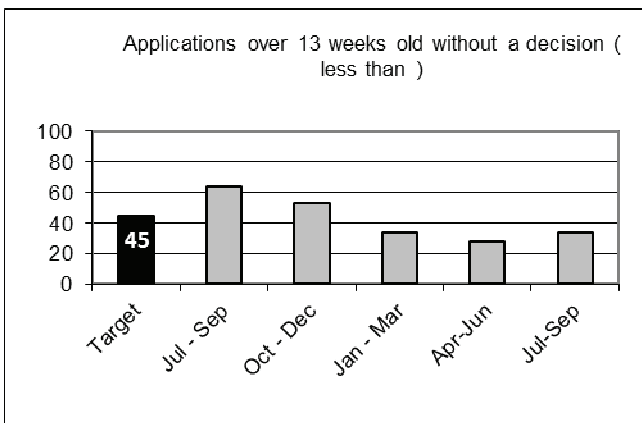
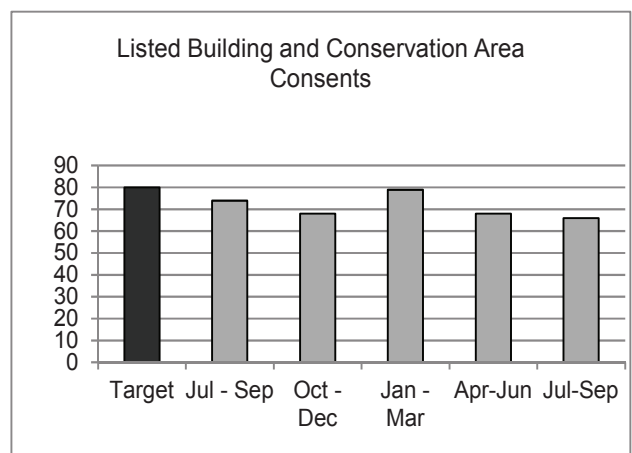
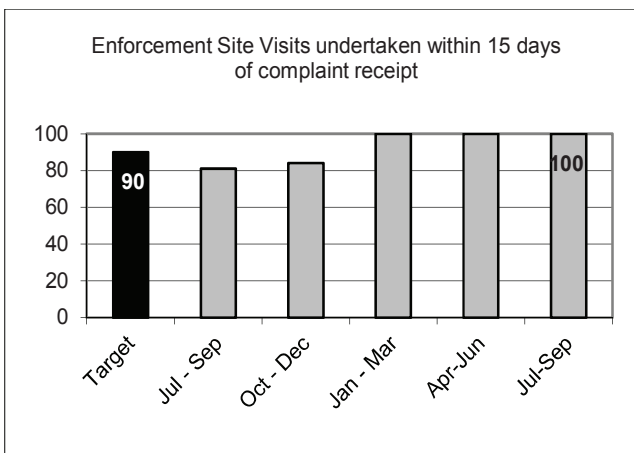
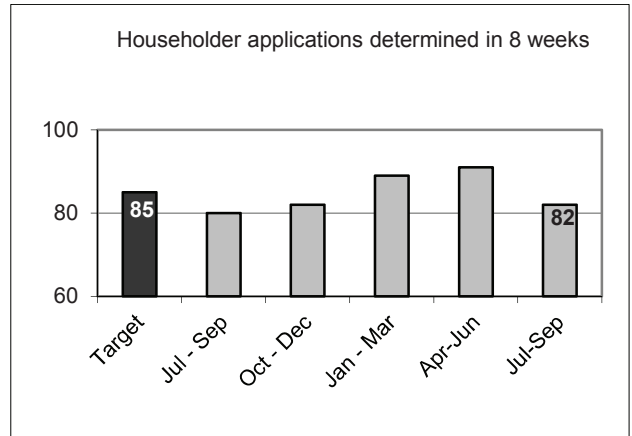
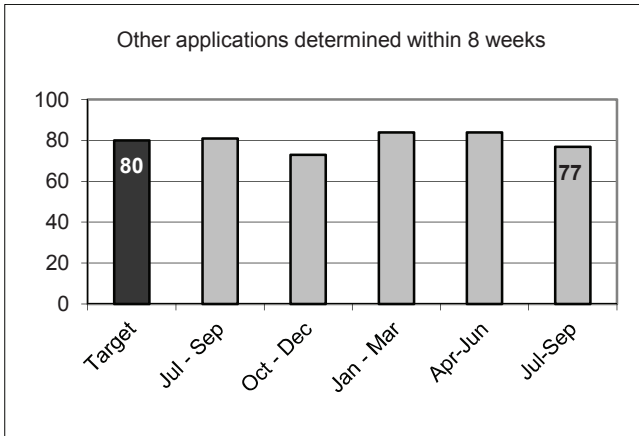
CWB PDG Performance Report - Appendix 3

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 (2/4)	15	16		
Management Notes: (Quarter 2) July 2014 no. empty units = 16 / 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 (2/4)	12	10		
Management Notes: (Quarter 2) July 2014 no. empty shop units = 10 / 119 (September 2009 = 17 / 114) (ZL)								
Above 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 (2/4)	12	13		
Management Notes: (Quarter 2) July 2014 no. empty shop units = 13 / 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% (2/4)	86.51%	86.08%		
Management Notes: (Quarter 2) Expenditure is over budget mainly due to increased pension costs and some equipment at Culm Valley however income at Culm Valley is over budget as well. (SB)								
Below target	<u>% of Leisure members retained from month</u>	95.2%	95.50%	95.50% (2/4)	94.30%	94.90%		

<http://www.middevon.gov.uk/index.aspx?articleid=4026>. The performance over the last twelve months is set out below.

Planning Service Performance 2011/12	Target	2013/14			2014/15	
		Q2	Q3	Q4	Q1	Q2
						Figures up to 26 SEP 14. Update to 30 SEP 14 will be given at Committee
		Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep
Major applications determined within 13 weeks	60	33	55	57	50	75
Minor applications determined within 8 weeks	65	48	56	57	64	71
Other applications determined within 8 weeks	80	81	73	84	84	77
Householder applications determined in 8 weeks	85	80	82	89	91	82
Listed Building and Conservation Area Consents	80	74	68	79	68	66
Enforcement Site Visits undertaken within 15 days of complaint receipt	90	81	84	100	100	100
Delegated Decisions	90	94	91	93	94	95
Applications over 13 weeks old without a decision (less than)	45	64	53	34	28	34
Major applications determined within 13 weeks (over last 2 years)	>40%	N/A	55	55	57	53
Determine all applications within 26 weeks (per annum – Government Guarantee)	100	94	97	95	94	95
Customers rating the service good	80	100	88	94	83	75
Building Regulation Applications examined within 3 weeks	95	80	90	85	70	92
Building Regulation Full Plan applications determined in 2 months	95	98	100	100	100	99





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
-------------------------	---------	-------------------	--------------	-----------	--------------	-------------------

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		
Management Notes:								
Above target	<u>Number of visitors per month < 4,500</u>	4,257	4,500	4,500 (7/12)	4,480	4,397		
Management Notes:								
Below target	<u>Satisfaction with front-line services</u>	80.33%	80.00%	80.00% (2/4)	77.00%	79.50%		
Management Notes:								
Not calculable	<u>% complaints acknowledged w/in 3 days</u>	71%	80%	80% (2/4)	43%	44%		
Management Notes: (Quarter 2) CRM is currently being re written and complaints that have been acknowledged by email have not been recorded, the percentage acknowledged within the timescale would still be below target. (LR)								
Well below target	<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	73%	90%	90% (2/4)	81%	69%		
Management Notes: (Quarter 2) High number of complaints open at the beginning of the quarter remained open from the waste round changes during quarter 1, complaints were responded to but there was a delay in updating the system. (LC)								
Above target	<u>% Emails received by Customer Services responded to within 5 days</u>	99.3%	95.0%	95.0% (2/4)	99.0%	99.0%		
Management Notes:								
Not calculable	<u>Number of Complaints</u>	n/a	For information only	For information only	193	122		
Management Notes:								
Not calculable	<u>Number of Digital Contacts</u>	n/a	For information only	For information only	9,172	9,928		
Management Notes: (Quarter 2)								

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
--------	-------	---------------	---------------	----------------	--------	--------	--------	--------

Data for this PI is currently on payments only, digital transactions for payments are increasing. Data on other digital transactions will be developed to monitor channel shift.

(LR)

Well below target	<u>Working Days Lost Due to Sickness Absence</u>	8.64days	7.00days	3.50days (2/4)	2.38days	4.63days		
-------------------	--	----------	----------	----------------	----------	----------	--	--

Management Notes:

(Quarter 2)

Includes long-term sickness absence.

(JC)

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
-------------------------	---------	-------------------	--------------	-----------	--------------	-------------------

Finance Portfolio Performance - Appendix 6

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well above target	<u>% total Council tax collected - monthly</u>	97.56%	98.00%	49.00% (6/12)	29.31%	56.58%		
Management Notes:								
Well above target	<u>% total NNDR collected - monthly</u>	98.40%	98.00%	49.00% (6/12)	29.70%	57.74%		
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 (2/4)	9days	9days		
Management Notes:								

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: Legionella 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: Michael Lowe

Review Note:

Risk: Lifeguard Training 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: Plant Rooms 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: Michael Lowe

Review Note:

Printed by: Catherine
Yandle

SPAR.net

Print Date: Tuesday,
November 18, 2014 15:31

Certification report 2013/14 for Mid Devon District Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2014

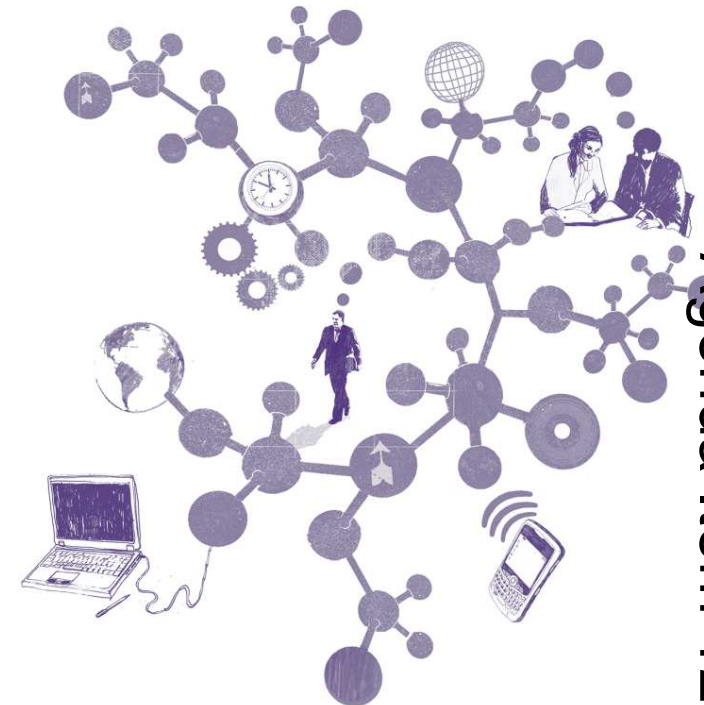
27 January 2015

Page 105

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Agenda Item 12.

Contents

Section	Page
1. Summary of findings	3

Appendices

A Details of claims and returns certified for 2013/14	6
B Fees	7

Page 106

Summary of findings

Introduction

We are required to certify certain claims and returns submitted by Mid Devon District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2013/14 relating to expenditure of £20.7 million.

This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in May 2014.

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	Claims were all submitted on time.	● Green
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	There was one minor error in the completion of the Capital receipts return.	● Green
Supporting working papers	Working papers were comprehensive and to a good standard.	● Green

Certification fees

The indicative certification fee set by the Audit Commission for 2013/14 for the Council is based on final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims were reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. This is set out in more detail in Appendix C.

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional fees.

Acknowledgements

We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP
27 January 2015

Appendices

Page 109

Appendix A: Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefit subsidy claim	19,187,360	No	0	Yes	The wrong Child tax credit figure has been used in the calculation resulting in an underpayment of £41.38. Additional testing was then undertaken and no further errors were identified.
Capital receipts return	1,546,540	Yes	0	No	The original submission included the amount of capital expenditure in 2013/14, but the form required the amount of expenditure for 2012/13 and 2013/14. The claim was amended.

Page 110

Appendix B: Fees

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 actual fee (£)	Variance year on year (£)	Explanation for significant variances
Housing benefits subsidy claim	10,470	8,990	9,890	-580	Additional testing in the year
National non-domestic rates return	900	-	-	-900	Not required in 2013/14
Capital receipts return	80	484	484	+404	2012/13 claim was below the upper limit and limited procedures were required.
Total	11,450	9,474	10,374	-1,076	



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Mid Devon District Council Audit Committee Update

Year ended 31 March 2015

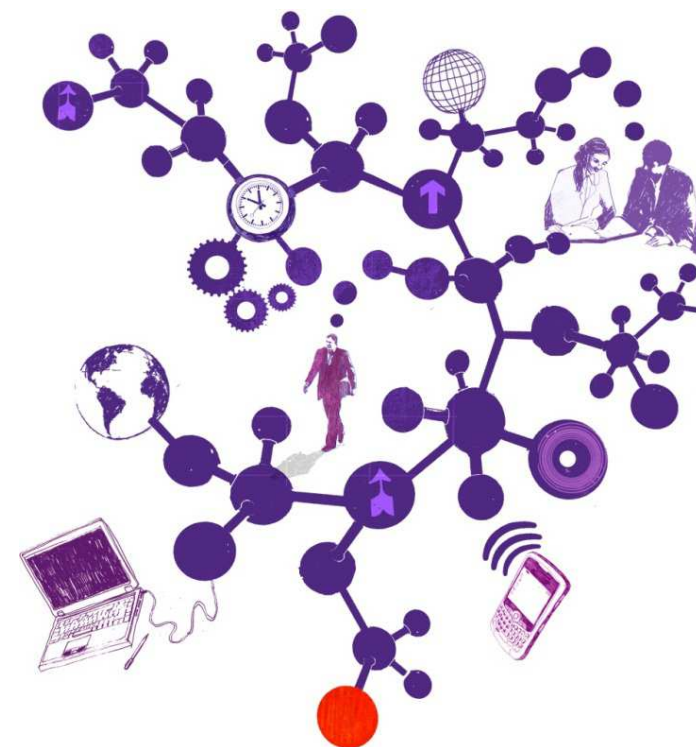
27 January 2015

Page 113

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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.

Contents

Section	Page
Introduction	4
Progress at 31 December 2014	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:

- 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
- 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.

Geraldine Daly	Engagement Lead	M 07500783992	geri.n.daly@uk.gt.com
Steve Johnson	Audit Manager	M 07880 456134	steve.p.johnson@uk.gt.com

Position at 18 November 2014

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	Initial planning work is currently being undertaken to enable the audit plan to be presented at the March Audit Committee.
<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 review of the Council's control's and our early substantive testing will be undertaken between January and March 2015.
<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. 	July to September 2015	No	The audit of the 2014/15 financial statements will be undertaken between July and September 2015 and reported to the September Audit Committee to meet the 30 September 2015 deadline.

Position at 7 November 2014 (continued)

Work	Planned date	Complete?	Comments
<p>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. 	February 2015 to September 2015.	No	<p>An interim risk assessment will be made as part of the Audit planning in February 2015.</p> <p>The detailed work will continue through to September 2015, when we are required to give our VfM conclusion.</p>
<p>Certify the Council's WGA accounts</p>	September 2015.		
<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.	<p>No</p> <p>No</p>	<p>Work will commence in September 2015.</p> <p>Work will commence in June 2015 and will be completed by November 2015.</p>

Rising to the challenge

Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

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

2020 Vision

Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

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

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

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

Earlier closure and audit of accounts

Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Challenge questions

- Has your Head of Finance put in place a plan to address the earlier close date?

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.

Kerslake report on Birmingham City Council

Local government guidance

Sir Bob Kerslake published his report, [The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council](#), on 9th December.

Commissioned by the Secretary of State this comes off the back of well publicised failures in Children's Services and the Trojan Horse issue in Birmingham Schools. It includes some tough messages for Birmingham City, but there are issues that resonate with all large local authorities.

The report's recommendations include the following.

- Page 124
- The Council needs an external Improvement Board to show that it is making the changes it needs to effectively serve its population.
 - Internal governance needs fundamental change, including the relationship between members and officers, how it plans for the future, a stronger corporate core and a programme of culture change.
 - The Council needs more political clarity, moving away from annual thirds elections and reducing the number of members. This includes redesigning the model for representative governance.
 - Medium term financial planning needs greater clarity, and the Council cannot assume that it will get any additional Government support.
 - In moving from a 20,000 people organisation in 2010 to a 7,000 people one by 2018 the Council needs fit for purpose workforce planning.
 - Devolution within the Council and across the City needs simplifying and a greater outcome focus.
 - Partnership working needs redefining, with the Council moving away from a 'Big Brother' approach.
 - The Council needs to work with the other West Midland MBCs to make the combined authority a reality that delivers jobs and prosperity to the region.

Challenge questions

- Has Mid Devon District Council considered whether there are lessons or issues from the report that it also needs to action?

Local government financial reporting remains strong

Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11th December.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.



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Protecting the Public Purse

Fraud Briefing 2014

Mid Devon District Council



Purpose of Fraud Briefing



Provide an information source to support councillors in considering their council's fraud detection activities



Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities



Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed



Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

Understanding the bar charts

Outcomes for the first measure for your council are highlighted in yellow in the bar charts. The results of your comparator authorities are shown in the green bars.



Outcomes for the second measure for your council are highlighted as a green symbols above each bar. The results of your comparator authorities are shown in the white triangles.



A '*' symbol has been used on the horizontal axis to indicate your council.

All data are drawn from council submissions on the Audit Commission's annual fraud and corruption survey for the financial year 2013/14.

In some cases, council report they have detected fraud and do not report the number of cases and/or the value. For the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil.

Comparator group

Babergh
Derbyshire Dales
East Cambridgeshire
East Devon
Exeter
Forest of Dean
Hambleton
Malvern Hills
Mendip
Mid Devon
Mid Suffolk
North Devon
North Dorset
Ryedale
South Hams
South Norfolk
Stroud
Teignbridge
Tewkesbury
Torrige
West Devon

Interpreting fraud detection results



Contextual and comparative information needed to interpret results



Detected fraud is indicative, not definitive, of counter fraud performance (*Prevention and deterrence should not be overlooked*)



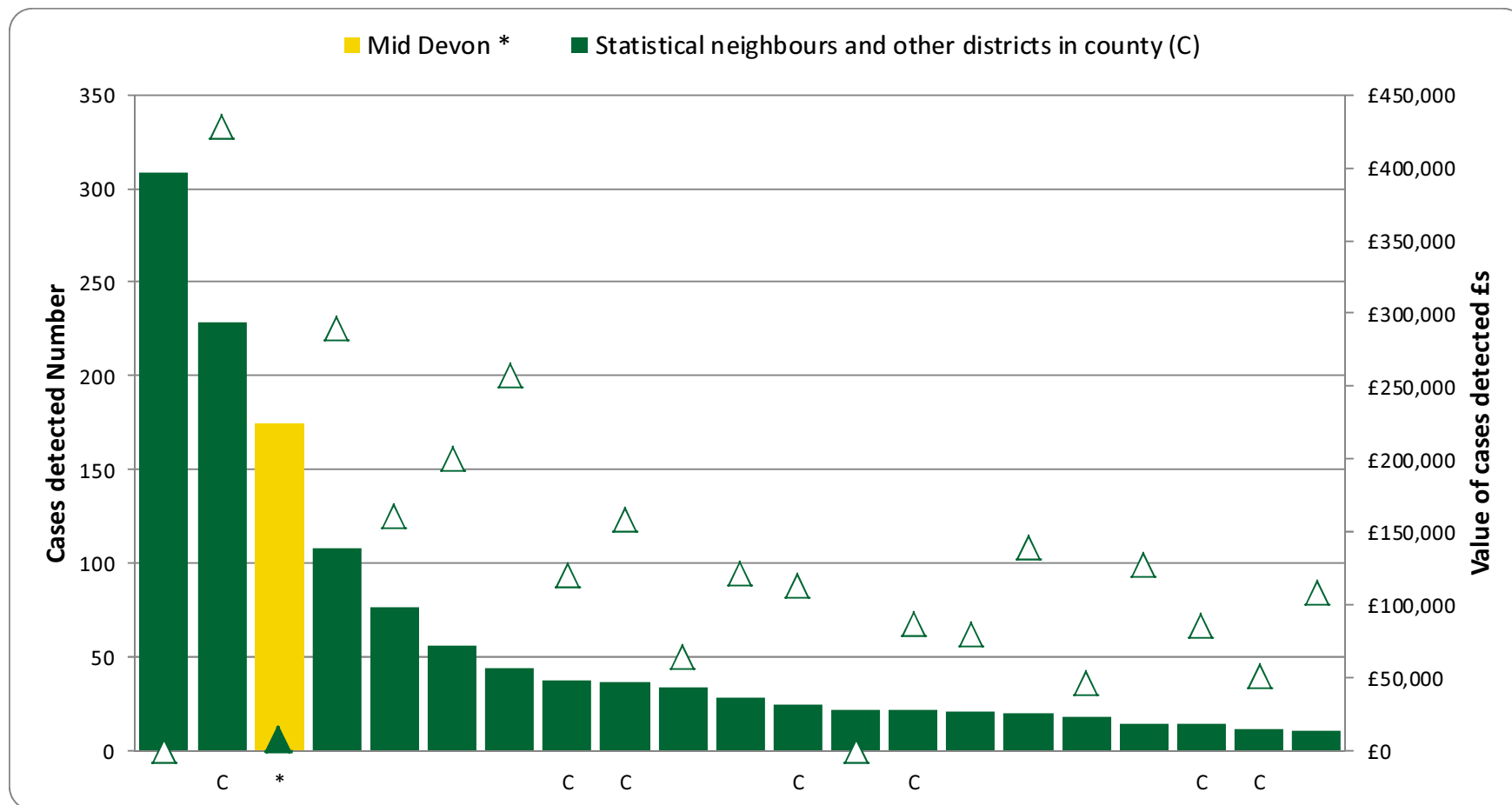
No fraud detected does not mean no fraud committed (*Fraud will always be attempted and even with the best prevention measures some will succeed*)



Councils who look for fraud, and look in the right way, will find fraud (*There is no such thing as a small fraud, just a fraud that has been detected early*)

Total detected cases and value 2013/14 (Excludes Housing tenancy fraud)

Mid Devon



Mid Devon detected 175 cases #. The value of detected fraud was £7,000 #.
Average for statistical neighbours and county: 57 cases, valued at £132,253

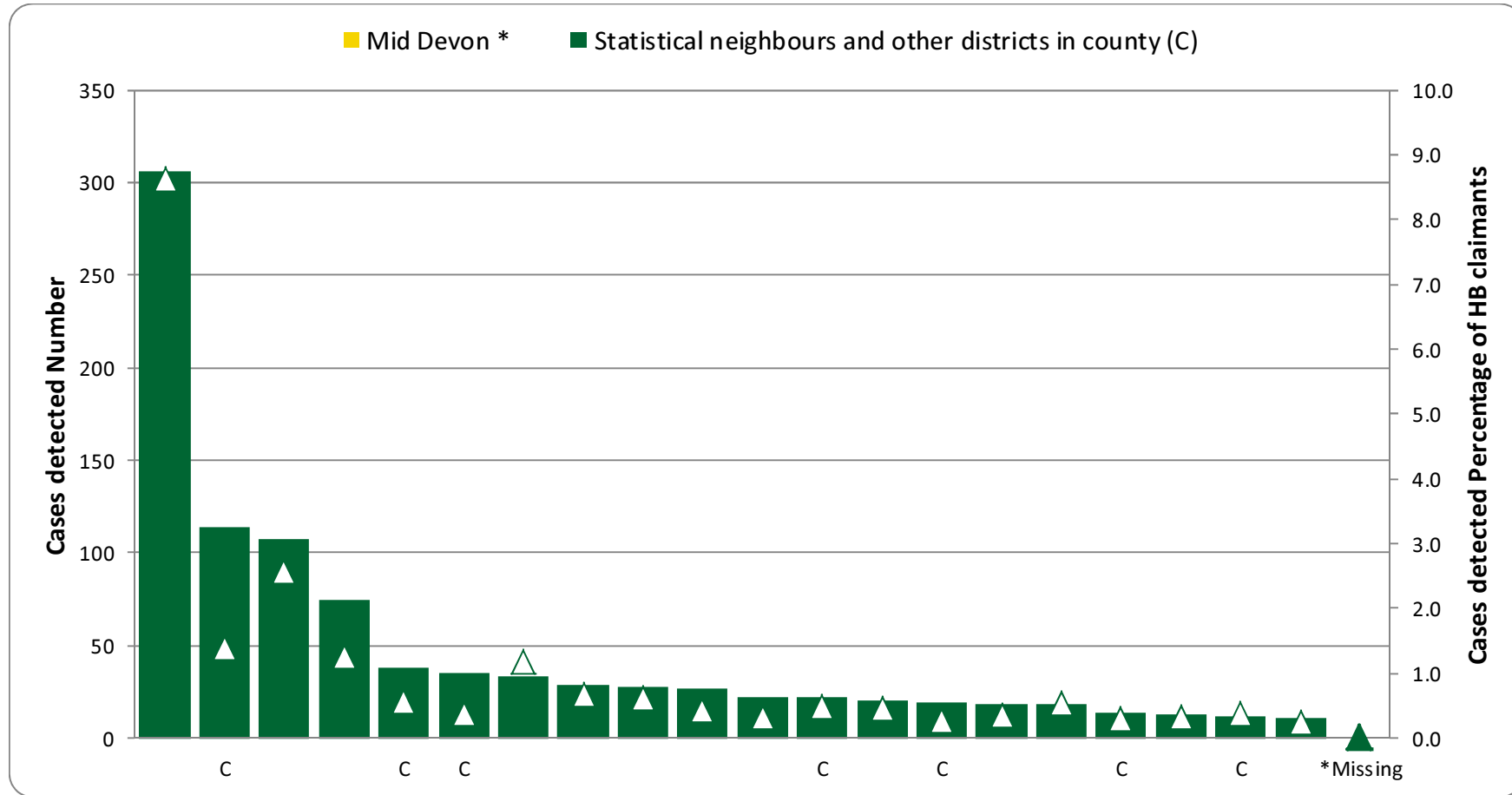


Housing Benefit (HB) and Council Tax Benefit (CTB) 2013/14

Total detected cases, and as a proportion of housing benefit caseload

Mid Devon

Page 133



Mid Devon detected this type of fraud and did not report the number of cases.
 Average for statistical neighbours and county: 48 cases, valued at £131,996

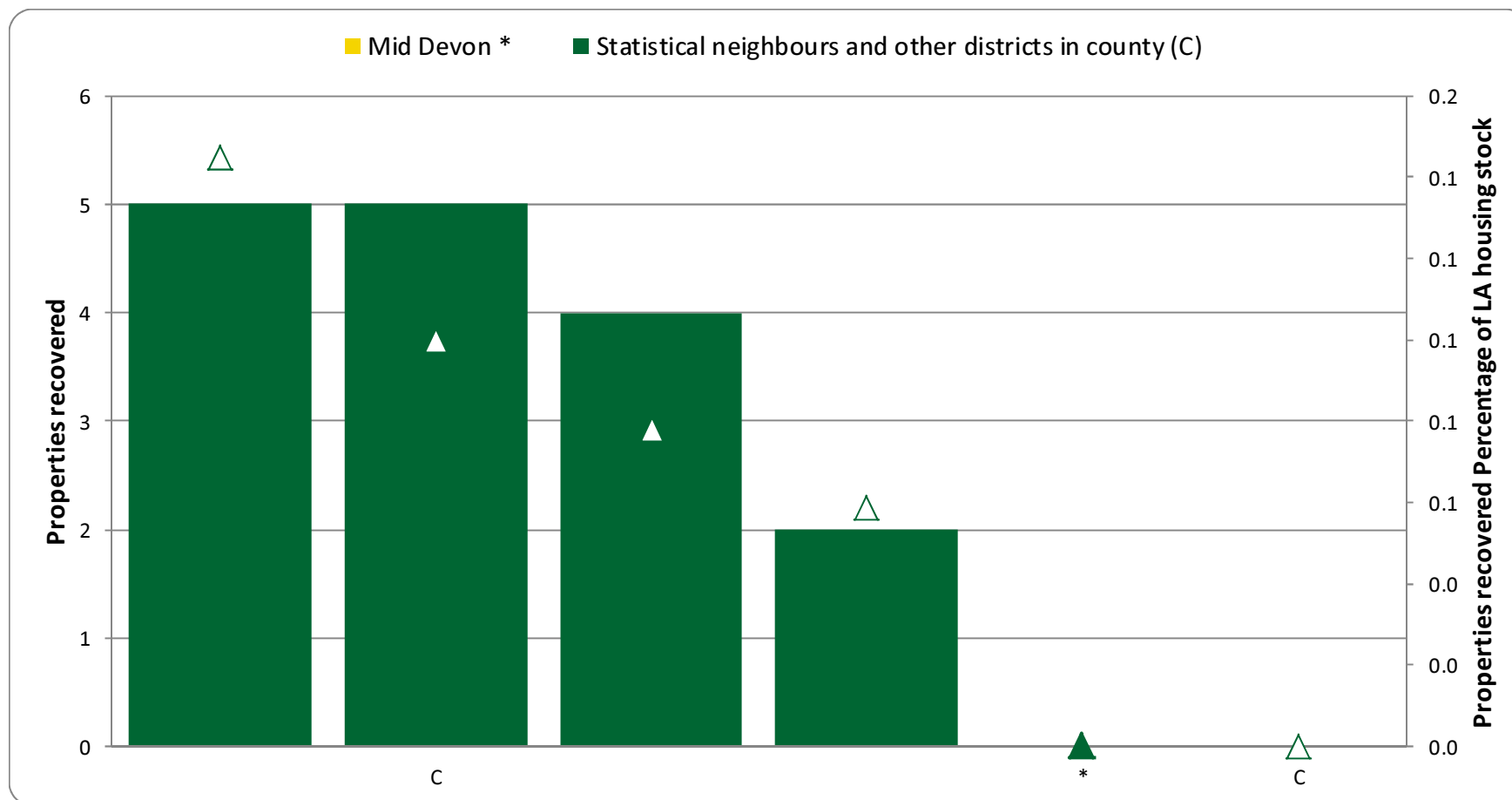


Social Housing fraud (only councils with housing stock) 2013/14

Total properties recovered, and as a proportion of housing stock

Mid Devon

Page 135



Mid Devon did not detect any cases of this type of fraud.
 Average for statistical neighbours and county with housing stock: 3 cases



Right to buy fraud (only councils with housing stock) 2013/14

Right to buy cases and value

Mid Devon



Mid Devon did not detect any cases of this type of fraud.

Average for statistical neighbours and county with housing stock: 0.2 cases



Other frauds 2013/14

Mid Devon

Procurement: Mid Devon did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 0 cases

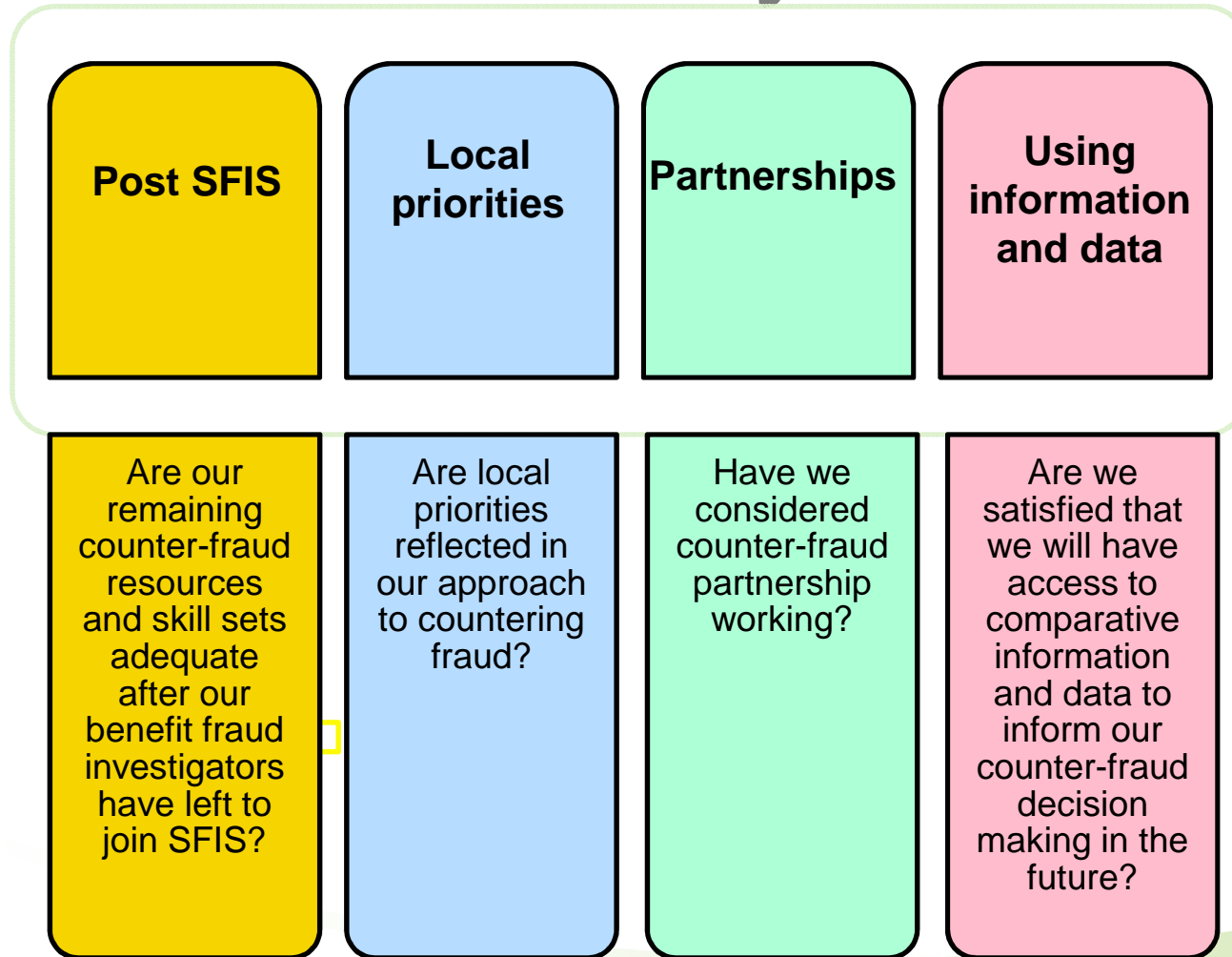
Insurance: Mid Devon did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 0 cases

Economic and third sector: Mid Devon did not detect any cases of this type of fraud.
Total for statistical neighbours and county: 0 cases

Internal: Mid Devon detected 1 case of this type of fraud. The value of detected fraud was £3,866.
Total for statistical neighbours and county: 11 cases, valued at £4,050

*Correctly recording fraud levels is a central element in assessing fraud risk.
It is best practice to record the financial value of each detected case*

Questions elected members and decision makers may wish to ask



Any questions?



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