

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 17 November 2015 at 5.30 pm
Exe Room, Phoenix House

Next ordinary meeting
Tuesday, 19 January 2016 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans
Cllr Mrs J B Binks
Cllr Mrs C Collis
Cllr R M Deed
Cllr T G Hughes
Cllr F W Letch
Cllr R F Radford

A G E N D A

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

1. **Apologies**
To receive any apologies for absence.
2. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
3. **Minutes of the previous meeting** (*Pages 5 - 10*)
To approve as a correct record the Minutes of the meeting held on 29 September 2015 (copy attached).
4. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
5. **Performance and Risk Q2** (*Pages 11 - 32*)
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 2015/16 as well as providing an update on the key business risks.

6. **Internal Audit Progress Report** (*Pages 33 - 40*)
To receive a report from the Internal Audit Team Leader updating the Committee on the work performed by Internal Audit for the 2015/16 financial year.
7. **Internal Audit Reports (standing item)**
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).

(Please note: This is a standing item which may not be needed should discussion have taken place regarding internal audit reports under another item on the agenda)

8. **Grant Thornton - Annual Audit Letter** (*Pages 41 - 48*)
To receive a report from Grant Thornton summarising the key findings arising from the work they have carried out for the year ended 31 March 2015 as the Council's external auditors.
9. **Grant Thornton - Report of Financial Resilience** (*Pages 49 - 68*)
To receive a report from Grant Thornton summarising the findings from their work supporting their Value for Money conclusion which is required as part of the statutory external audit responsibilities.
10. **Grant Thornton - External Audit Update** (*Pages 69 - 84*)
To receive a report from Grant Thornton providing an update on progress in delivering their responsibilities as the Council's external auditors.

11. **Identification of items for the next meeting**

Members are asked to note that the following items are already identified in the work programme for the next meeting:

- Internal Audit progress Report
- Internal Audit Reports
- Presentation from the Internal Audit Team regarding current audit issues
- Exeter Audit update

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

Kevin Finan
Chief Executive
9 November 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 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

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MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 29 September 2015 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, R M Deed, F W Letch and
R F Radford

Apology

Councillor

T G Hughes

Also Present

Councillor

Mrs J Roach

Present

Officers

Andrew Jarrett (Head of Finance), Catherine Yandle (Internal Audit Team Leader) and Sarah Lees (Member Services Officer)

Also in

Attendance

Steve Johnson (Grant Thornton)

26. **APOLOGIES**

Apologies were received from Cllr T G Hughes and Cllr P H D Hare-Scott, the Cabinet Member for Finance.

27. **PUBLIC QUESTION TIME**

There were no members of the public present.

28. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

29. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the previous meeting were confirmed as a true and accurate record and signed by the Chairman subject to the word 'group' being inserted after 'car parking' in the second sentence of the final paragraph of Minute number 21.

30. **PERFORMANCE AND RISK Q1**

The Committee had before it, and **NOTED**, 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 2015–16 as well as providing an update on the key business risks.

The Internal Audit Team Leader stated that the timing of the report was slightly unfortunate given that it had already been discussed by the three Policy Development Groups and Cabinet and was now somewhat out of date. This happened due to the timing of the quarterly reports compared to the bi-monthly Audit Committee meetings.

Discussion took place regarding:

- The 'Enforcement site visits' performance indicator and whether or not it had any value as a statistical measure. It was felt that it might be better to have an indicator which measured whether or not an enforcement issue had been dealt with and resolved within an acceptable length of time. It was **AGREED** that this suggestion would be fed back to the Head of Planning and Regeneration asking her to consider a more appropriate measure.
- Why some targets were not set at 100%, for example, the '% of complaints resolved within timescales'. It was explained a upgraded customer records management system had been implemented in May 2015 and 97% had been set as the target to allow for the new system to bed in. This would be reviewed after three months.

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

31. INTERNAL AUDIT PROGRESS REPORT

The Committee had before it, and **NOTED**, a report from the Internal Audit Team Leader updating it on the work performed by Internal Audit for the 2015/16 financial year.

She outlined the contents of the report stating that it included the audit opinion for three internal audits. Discussion took place in relation to each one as follows:

Legal Services

- It was stated by an elected that in Crediton there had been some disappointment with the quality and speed of response from the solicitors.
- The Chairman commented that IT issues in relation to the helpdesk needed to be sorted out sooner rather than later as part of the Digital Transformation project. The Head of Finance stated the Council was consulting with North Devon District Council to see what system they used. A new helpdesk business case was needed.

Culm Valley Sports Centre

- It was stated by the previous Cabinet Member for Community Well Being that the Leisure Service was now down to 2 managers, having previously had 4. It would be important to ensure that the quality of the Leisure Service did not suffer as a result.
- Concern was expressed at the administrative processes involved in processing multiple contracts. It was explained that some members of staff performed several different roles and that some of them attracted a higher rate of pay than others. The question was asked as to why the average wage couldn't be paid for each member of staff in this category. It was explained that this would result in a much higher salary bill for the Council compared to paying actual rates of pay for particular roles. The current arrangements gave the managers the flexibility they needed as it was pointed out that demand fluctuated throughout the year for certain leisure activities. There was however, general agreement that the current system was complex and time

consuming to administer. It was **AGREED** that, as part of future annual audits on leisure centres, managers be asked to review the salary structures within their areas. The Committee were informed that an item in relation to the leisure centres would be on the next agenda for the Community Well Being Policy Development Group and everybody was welcome to attend.

Insurance

- The Head of Human Resources & Development had now issued an instruction to Payroll that unless an employee produced a valid insurance certificate they could not be reimbursed.
- It was confirmed that drivers of Council vehicles and 'Essential car Users' had to produce a valid driving licence and associated documents on their first day of work for the Council. It was **AGREED** that Members should also provide evidence that they had valid insurance cover whilst conducting Council duties and subsequently claiming for travel reimbursement. It was suggested that Members be given a month in which to produce their documents.
- The Council requires a restricted operator's licence. It was a drivers individual responsibility to certify that they were medically fit and able to drive. Members expressed concern regarding this issue given the incident which happened in Glasgow last year with a refuse lorry. The Internal Audit Team Leader stated that these issues could be explored when the vehicles audit next took place. The Committee, if it wished to, could then speak directly to the Waste and Transport Manager.
- Staff had to sign a mandate to allow a private company to check the details of their driving licence in in order to drive on Council's business.

Outstanding audit recommendations in general

- The Head of Finance had requested that the target date set for Procurement of 2014 be amended to 2016. He explained that it was difficult to set a target for something that was ongoing. The Procurement section had had one member of staff off on maternity leave and he had not considered it cost effective to bring in an agency member of staff. The section was now fully resourced and work would progress. He stated that he was confident this recommendation would be completed by 31 March 2016.
- The Chairman stated that there had been improvement from the position under the previous Council, however, he requested that service managers needed to be reminded about the number of outstanding medium priority core audit recommendations. If there were insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.

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

32. **INTERNAL AUDIT REPORTS (STANDING ITEM)**

Discussion regarding internal audit reports had taken place under the previous item. There had been no need to move into Part II.

33. FUTURE POSITION REGARDING EXTERNAL AUDITORS

The Internal Audit Team Leader provided the Committee with information regarding the process and timetable involved in appointing new external auditors.

The relevant dates and processes were summarised as follows:

- Transitional arrangements were in place until 31/3/2017 after which Audit Committee's needed a panel with an independent Chair to appoint external auditors, unless the current arrangements are extended for a maximum of 3 more years, Members of the Council were not considered to be independent. The Local Government Association's preference was that a collective procurement exercise be conducted by a Sector led Body.
- If new external auditors were to complete the 2018 audit they would need to be in place by 31 March 2017. Given the shortness of time, the extension seems likely although it hasn't yet been announced. It was explained 86% of Councils responding to a LGA survey had indicated that they were in favour of extending the current arrangements, the main reason being cost savings and economies of scale. The Internal Audit Team Leader informed the Committee that the LGA had estimated that the 3 year extension would save £24m pa.

34. CAR PARKING CHARGES - CHALLENGE

The Head of Finance brought the Committee's attention to a detailed response * from Grant Thornton to a challenge raised against the 2013/14 Accounts by Cllr Mrs J Roach. The Chairman invited Cllr Mrs Roach to speak on the item. For the benefit of new Members to the Committee she summarised the events which had taken place as follows:

- In December 2013 a decision notice, permitting the sale of parking season tickets on a bulk purchase basis, was issued on behalf of a Cabinet member.
- Cllr Roach asked to call in the decision as she felt that this should have been advertised as it was changing the fees set in the car parking order. She was also concerned that this reduction applied to only one group of workers in one car park.
- The Chief Executive had refused to allow the call in and wrote to all Members explaining why the call in was invalid.
- In January 2014, Cllr Roach made a formal complaint, this was investigated and she was informed that the Council had acted properly.
- She then made a complaint to the Ombudsman who would not investigate because she was not a member of the public.
- She then lodged a formal challenge to the accounts. She explained that that decision had not been taken lightly.
- At the last Audit Committee when the accounts were agreed, she asked why there had not been a report to the committee on the result of her challenge. The Auditor agreed that this should have happened, hence the item on the agenda for this meeting.
- Her concern throughout had been that the correct procedures were not followed and that one set of workers had been given special treatment by the Council. She had wanted to know why if season tickets were to be reduced for one set of workers then shouldn't everyone have an equal opportunity to access a better deal.

- She stated that it was unfortunate that an elected Member had to formally challenge the Council's accounts in order to highlight such an issue.
- She also stated that the Auditor wrote to her on the 15 December 2014 and the matter had still not been rectified.

Discussion followed with regard to:

- An acknowledgement that mistakes had been made and an apology was offered to Cllr Mrs Roach by the Head of Finance. Lessons had been learnt and that whilst mistakes of this nature could not be mitigated it was sincerely hoped that they would not be made again.
- The Head of Finance stated that a valid discussion had taken place with a local company and local residents where there had been concerns about congestion in a local road hence the arrangement. Future car parking orders would include some commentary about bulk discounts being available for all residents.
- The law 'out-trumped' the Constitution.
- A request to pursue the issue through the Scrutiny Committee had been denied.
- Perceived difficulties involved in minority group members finding avenues through which to bring issues to the fore.
- The Managing the Environment Policy Development Group would be discussing car park related issues at their next meeting on 24 November and all Members were invited to offer their views.

RECOMMENDED to the Standards Committee that it considers amending the Constitution so that wherever it mentions decisions taken by the Chief Executive, that the words 'in accordance with the law' be inserted alongside.

(Proposed by Cllr R M Deed and seconded by Cllr Mrs J B Binks)

Note: * Response from Grant Thornton previously circulated; copy attached to the signed Minutes.

35. **MINOR AMENDMENTS TO THE FINANCIAL REGULATIONS**

The Head of Finance informed the Committee that a number of minor amendments were needed in the wording of the Financial Regulations. However, in addition to this, some of the financial thresholds also needed amending. He would therefore bring a formal detailed report to the next meeting listing the amendments needed.

36. **EXTERNAL AUDIT UPDATE**

The Committee had before it a report * from Grant Thornton updating it on the progress made in delivering their responsibilities as the Council's external auditors. The Committee were informed that in addition to the usual update report there would also be a Financial Resilience report, a Grants Certification report and the Annual Audit Letter for the next meeting.

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

37. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING

In addition to the items already listed in the work programme, the following items were requested to be on the agenda for the next meeting:

- Amendments to the Financial Regulations
- Financial Resilience (Grant Thornton)
- Grants Certification (Grant Thornton)
- Annual Audit Letter (Grant Thornton)

(The meeting ended at 7.30 pm)

CHAIRMAN

AUDIT COMMITTEE 17 NOVEMBER 2015:

PERFORMANCE AND RISK REPORT FOR THE SECOND QUARTER OF 2015-16

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 2015-16 as well as providing an update on the key business risks.

RECOMMENDATION: That the Committee reviews the Performance Indicators and Risks that are outlined in this report and feeds back any areas of concern 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 2015-16 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 All appendices are produced from SPAR, the Corporate Service Performance and Risk Management system.
- 1.4 When benchmarking information is available it is included.

2.0 Performance

Managing the Environment Portfolio - Appendix 1

- 2.1 Due to the roll out of the new scheme it has not been possible to compile and report the PI information in time for the Quarter 2 reporting deadline. This performance information will be reported in the next report. As a result there is no appendix 1 for this report.

Decent and affordable Homes Portfolio - Appendix 2

- 2.2 **Rent arrears** - the Officers in the Neighbourhood teams do all that they can to maximise income recovery. We are currently reviewing our performance management reports in order to help Managers to better identify and respond to any issues which may impact upon performance.
- 2.3 The number of **right to buys** in the first 6 months of 2015/16 has already exceeded the total for 2014/15.

Community Well Being Portfolio - Appendix 3

- 2.4 The number of **empty shops** in all 3 towns has reduced in quarter 2, only the number in Tiverton is higher than the previous year-end.
- 2.5 **Leisure's** % cost recovery is very close to target for quarter 2.

Planning and Regeneration Portfolio - Appendix 4

- 2.6 As previously, the performance for quarter 2 of 2015/16 shows that in the majority of instances targets are being met or exceeded. However there remain some areas of concern which were also identified in the performance figures from quarter 1.
- 2.7 The report which went to Planning Committee on 21 October is included as Appendix 4; this includes comments on performance and further information about **enforcement**.

Working Environment Portfolio - Appendix 5

- 2.8 Although below the current target, the **sickness** figures continue to be monitored closely and we are working with managers to ensure that they always complete return to work interviews and follow the appropriate path i.e. capability if there is an issue.
- 2.9 The **complaints** system on CRM still needs to be checked manually, this work has been delayed due to the waste/recycling roll out which has greatly increased Customer First contacts.

Finance Portfolio - Appendix 6

- 2.10 Both % **Council Tax** and % **NDR** collected are below target at present. However 2015/16 is the first year targets have been profiled so this will be monitored closely.
- 2.11 **Purchase invoices** continue to be paid very promptly exceeding the target for the 3rd six month period running.

3.0 Risk

- 3.1 The Corporate risk register is reviewed by Management Team (MT) and updated, risk reports to committees include risks with a total score of 15 or more and all those with an impact score of 5. (Appendix 7)
- 3.2 Service and Corporate Business risks will be reviewed when the Corporate Plan for 2015-19 is published.
- 3.3 The profile of these risks for this quarter is:

Impact	5	13	1			
	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

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DAH PDG Performance Report - Appendix 2

Quarterly report for 2015-2016

No headings

For Decent and Affordable Homes - Cllr Ray Stanley Portfolio

For MDDC - Services

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

Key to Performance Status:

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

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Well below target	Number of affordable homes delivered (gross)	58	80	40 (2/4)	0	14		
Management Notes:								
On target	% Emergency Repairs Completed on Time	100.00%	100.00%	100.00% (6/12)	100.00%	100.00%		
Management Notes:								
On target	% Urgent Repairs Completed on Time	99.94%	100.00%	100.00% (6/12)	100.00%	100.00%		
Management Notes:								
Below target	% Routine Repairs Completed on Time	99.98%	100.00%	100.00% (6/12)	100.00%	99.95%		
Management Notes:								
Below target	% Repairs Completed at First Visit	99.87%	100.00%	100.00% (6/12)	98.28%	98.30%		
Management Notes:								
Well below target	Ratio of expenditure between planned and responsive repairs	81.19	70.30	70.30 (2/4)	29.71	55.45		
Management Notes:								
Below target	Rent Collected as a Proportion of Rent Owed	100.09%	100.75%	100.35% (6/12)	96.96%	99.13%		
Management Notes:								
Below target	Rent Arrears as a Proportion of Annual Rent Debit	0.60%	1.00%	1.00% (6/12)	0.94%	1.05%		
Management Notes:								
Below target	% Decent Council Homes	100.00%	100.00%	100.00% (6/12)	99.38%	99.28%		
Management Notes:								
Below target	% Properties With a Valid Gas Safety Certificate	99.86%	100.00%	100.00% (6/12)	99.72%	99.95%		
Management Notes:								
Above	Average Days to Re-Let	14.9days	17.0days	17.0days (6/12)	16.3days	15.8days		

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>Local Authority Housing</u>							
<u>Management Notes:</u>								
No Target	<u>Dwelling rent lost due to voids</u>	n/a	no target - for information only	no target - for information only	0.73%	0.64%		
<u>Management Notes:</u>								

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CWB PDG Performance Report - Appendix 3

Quarterly report for 2015-2016

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>The number of Empty Shops. (TIVERTON)</u>	12	20	20 (2/4)	17	16		
<u>Management Notes:</u> (Quarter 2)								
16 empty shops out of 247 shops = 6.48% of shops in Tiverton were empty at the time of the survey in October 2015								
(ZL)								
Well above target	<u>The number of Empty Shops. (CREDITON)</u>	10	10	10 (2/4)	9	5		
<u>Management Notes:</u> (Quarter 2)								
6 empty shops out of 118 shops = 5.08% of shops in Crediton were empty at the time of the survey in October 2015								
(ZL)								
Well above target	<u>The number of Empty Shops (CULLOMPTON)</u>	11	14	14 (2/4)	12	7		
<u>Management Notes:</u> (Quarter 2)								
7 empty shops out of 94 shops = 7.45% of shops in Cullompton were empty at the time of the survey in October 2015								
(ZL)								
Below target	<u>The percentage of Leisure's operational expenditure recovered through customer receipts</u>	88.16%	88.50%	88.50% (2/4)	79.19%	83.76%		
<u>Management Notes:</u> (Quarter 2)								
Q2 was very close to target at 88.3%								
(LC)								
Above target	<u>% of Leisure members retained from month beginning to month end.</u>	95.33%	96.50%	96.50% (1/4)	96.87%			
<u>Management Notes:</u>								

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REPORT OF THE HEAD OF PLANNING AND REGENERATION

PLANNING PERFORMANCE QUARTER 2 2015/16

RECOMMENDATION:

For information and discussion.

REASON FOR REPORT:

To provide the Committee with information on the performance of Planning Services for quarter 2 within the 2015-16 financial year.

MATTERS FOR CONSIDERATION:

Performance against targets and Planning Service staffing in the immediate future.

RELATIONSHIP TO CORPORATE PLAN:

Well Managed Council

FINANCIAL IMPLICATIONS: Planning performance has the potential for significant financial implications in the event that applications are not determined within 26 weeks or an extension of time negotiated. In that instance the planning fee is returned.

LEGAL IMPLICATIONS: The Government monitors planning performance in terms of speed and quality of decision making. In the event minimum standards are not met, an authority may be designated as being in special measures allowing applicants to apply for permission direct from the Planning Inspectorate and bypassing local decision making. The speed measure is the number of major applications determined within 13 weeks as measured over a 2 year period. The target of more than 40% has been met (58%). The quality measure is the percentage of major applications determined over a two year period that have been overturned at appeal. The less than 20% target has been met (4%).

RISK ASSESSMENT: Financial risk as a result of fee return and the designation of planning authorities in special measures for underperformance is referred to above. These aspects are actively monitored, to allow priorities to be adjusted as required to reduce the risk.

1.0 PLANNING PERFORMANCE

Set out below are the Planning Service performance figures for quarter two from 1st July – 30th September 2015 together with a comparison with the target and figures from quarter 1.

Performance data is published quarterly on the Council's website at <http://www.middevon.gov.uk/index.aspx?articleid=4026>

The performance for this first quarter is set out below and expressed as a percentage unless marked otherwise and reports against a mix of Government and local performance targets.

Planning Service Performance	Target	Qu 1 2015/16	Qu 2 2015/16
Major applications determined within 13 weeks	60%	57	50
Minor applications determined within 8 weeks	65%	68	73
Other applications determined within 8 weeks	80%	91	85
Householder applications determined in 8 weeks	85%	92	97
Listed Building Consents determined in 8 weeks	80%	70	67

Enforcement site visits undertaken within 15 days of complaint receipt	87%	100%	94
Delegated decisions	90%	94%	93
Applications over 13 weeks old without a decision	Less than 45 applications	25	26
Major applications determined within 13 weeks (over last 2 years)	More than 40%	51	58
Determine all applications within 26 weeks or with an extension of time (per annum –Government planning guarantee)	100%	97%	96%
Building Regulations Applications examined within 3 weeks	95%	70%	70%
Building Regulation Full Plan applications determined in 2 months	95%	99%	98%

In addition during this quarter activity within the enforcement part of the Planning Service included:

Enforcement 2015/16	Qu 1	Qu2
Number of new enforcement cases registered	14	71
Number of enforcement cases closed	47	53
Number of committee authorisations sought	3	2
Number of planning contravention notices served	Data available from Qu 2	9
Number of breach of condition notices served	0	1
Number of enforcement notices served	2	1

The enforcement service is now fully staffed.

As previously, the performance for quarter 2 of 2015/16 shows that in the majority of instances targets are being met or exceeded. However there remain some areas of concern which were also identified in the performance figures from quarter 1:

The major application target of 60% determined within 13 weeks was again missed with 50% being achieved.

Listed Building Consent application performance against the target of 80% determined in 8 weeks was 67%.

Planning Service staffing is still not at full strength due to maternity leave. This has had knock on effects in terms of associated arrangements for staff cover and redeployment of staff into different roles. Not all posts have been backfilled. Whilst work areas within conservation have been reviewed and redistributed, the capacity of that team has been affected by the need to resource giving on-going advice and guidance at The Manor House Hotel, Cullompton and to complete the review of the Article 4 Direction, Cullompton.

In the publication 'Fixing the foundations: creating a more prosperous nation' as part of the summer budget 2015, the Government has indicated its intention to tighten planning performance requirements so that local authorities making 50% or fewer decisions on time or those processing minor applications too slowly are at risk of designation. The Government's planning guarantee requires that authorities determine all planning applications within 26 weeks unless an extension of time is agreed with the applicant. If not, the planning fee is returned. Within this publication the Government has also indicated its intention to significantly tighten the planning guarantee for minor applications. Planning performance continues to be closely monitored. The performance of the planning service against targets will therefore become increasingly important, requires resourcing and presents a financial risk to the authority in the event that the planning guarantee is not met.

Every effort continues to be made to maintain our charter standards of customer service and our performance levels within the eight and thirteen week government target periods. The impact of a challenging period for staffing, particularly within Development Management continues to be reflected in some of the application time taken figures. Staffing change within this team will continue throughout the financial year as a result of maternity leave and associated cover arrangements.

Contact for Information: Jenny Clifford, Head of Planning and Regeneration
01884 234346

List of Background Papers: PS1 and PS2 returns
'Fixing the foundations – creating a more prosperous nation' HM Treasury July 2015

Circulation of the Report: Cllr Richard Chesterton
Members of Planning Committee

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Working Environment Portfolio Performance - Appendix 5

Quarterly report for 2015-2016

No headings

For Working Environment and Support Services - Cllr Margaret Squires 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>	12,670	For Information Only	For Information Only	11,192	11,420		
Management Notes:								
On target	<u>Satisfaction with front-line services</u>	81.75%	80.00%	80.00% (1/4)	80.00%			
Management Notes:								
Well below target	<u>% complaints acknowledged w/in 3 days</u>	46%	80%	80% (2/4)	39%	50%		
Management Notes: (Quarter 2) The new CRM system should push all complaints through the procedure that acknowledges the complaint. Full manual check of all complaints logged since system went live in May is needed to ensure the system is being used correctly and to verify if data is correct and arrange training or amend figures as appropriate. a ICT helpdesk request has been logged to obtain a report of all complaints logged. 97% of complaints logged were acknowledged, but not all within 3 days. (LR)								
Below target	<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	97%	90%	90% (2/4)	83%	87%		
Management Notes:								
Above target	<u>% Emails received by Customer Services responded to within 5 days</u>	98.0%	95.00%	95.00% (2/4)	99.00%	98.50%		
Management Notes:								
Not calculable	<u>Number of Complaints</u>	74	For information only	For information only	61	39		
Management Notes:								
Not calculable	<u>Number of Digital payments</u>	8,989	For information only	For information only	11,886	12,563		
Management Notes:								
No Target	<u>Number of web hits per month</u>	n/a	For information only	For information only	0	0		
Management Notes: (Quarter 2) data not available until Goss part of website is turned off, this will not be until the parish websites have been moved onto the new website format.								

Finance Portfolio Performance - Appendix 6

Quarterly report for 2015-2016
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
Below target	<u>% total Council tax collected - monthly</u>	97.80%	98.0%	57.0% (6/12)	29.4%	56.7%		
Management Notes:								
Below target	<u>% total NNDR collected - monthly</u>	99.00%	98.00%	61.00% (6/12)	31.10%	55.80%		
Management Notes:								
Above target	<u>Percentage of Invoices Paid on Time</u>	99.26%	97.50%	97.50% (1/2)	n/a	99.57%	n/a	
Management Notes: (April - September)								
The Creditors team continue to perform very well continually looking to improve their processes including being very proactive in encouraging departments to GRN invoices promptly on receipt of goods.								
(RF)								
Above target	<u>Time taken to process Housing Benefit/Council Tax Benefit new claims and change events</u>	8days	14days	14days (2/4)	14days	13days		
Management Notes:								

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Print Date: 02 November 2015 14:18

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Risk Report Appendix 7

Report for 2015-2016
 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: Recommendations from the HSE after the events last year have now been 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: Chemicals Staff using chemicals incorrectly.

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 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: Cabinet have recently agreed to invest in CCLA

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: Strategy is approved by Cabinet annually.
2015 Audit found no issue with this

Risk Report Appendix 7

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:

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: Liz Reeves

Review Note: Annual review of policy and training for all staff. ICT advise on all payment systems to ensure comply to PCI standard.

Risk Report Appendix 7

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. If 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:

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: Jill May

Review Note:

Risk Report Appendix 7

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: Jill May

Review Note:

Risk: Waste Collection - Health and Safety Inadequate training with regards to Manual Handling and workplace hazards (eg contact with broken glass) could result in Health and Safety risks

Effects (Impact/Severity):

Causes (Likelihood): - Increasing demand and service costs due to increasing population, consumer society and an increasing amount of waste

Service: Street Scene Services

Current Status:
Medium (10)

Current Risk Severity: 5 - Very
High

Current Risk Likelihood: 2 -
Low

Head of Service: Andrew Jarrett

Review Note:

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Print Date: 06 November
2015 16:33

AUDIT COMMITTEE 17TH NOVEMBER 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 2015/16 financial year.

RECOMMENDATION(S): The Committee notes the contents of this report and agrees the changes to the deadlines referred to in Section 4.5.

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 2015/16 to 2018/19 and annual work plan for 2015/16 were presented to the Audit Committee at its meeting on 24 March 2015, where they were approved.

1.2 The purpose of this report is to provide the Committee with a progress report on performance against the 2015/16 Internal Audit work plan for the period from 1 April 2015 to 30 October 2015.

2.0 Progress to date and scope of audit activities

2.1 The Audit Plan is split into the following sections:

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

2.2 Core Audits

2.2.1 The Core Audits are given priority as they cover the Council's key financial controls or are areas where the level of income is material in the context of the Council's annual accounts. As these audits are allocated a larger number of days, as part of the risk based audit planning process, they are carried out annually. Trade Waste and Car Park Income are carried out biennially; this year we are due to do Trade Waste (in December).

2.2.2 The Core audits for 2015/16 were started in August; so far Payroll and Housing Rents have been completed and are included in section 3 below.

2.2.3 Council Tax/NNDR & Recovery is completed but the exit interview will not be until just before this meeting, Income & Cash Collection has also been commenced.

2.3 Systems Audits

2.3.1 Systems Audits have been completed for Emergency Planning, Vehicles & Fuel, Listed Buildings & Conservation, Recruitment, Selection & JE, Legal Services, Culm Valley Sports Centre, Insurance, Grants & Donations and Gifts & Hospitality.

2.3.2 The audit opinions on Grants & Donations and Gifts & Hospitality are reproduced below in full.

2.4 Other Work

2.4.1 The Internal Audit team report on performance and risk using the Spar system and present the quarterly corporate performance and risk reports to PDGs and Committees. This work will be divided between the Audit Team Leader and the Auditors from the November meetings in order to give the 2 Auditors a new development opportunity.

2.4.2 Data quality checks are carried out on committee and other reports as requested. Tender documents have been verified as usual.

2.4.3 The Audit Team have assisted with 1 investigation and sat on 2 job evaluation panels so far this year. The annual appraisals are all completed and training needs reviewed.

2.4.4 The Audit Team Leader attends the Corporate Health & Safety Committee as Risk Advisor. The 2 Auditors attend the ICT and Procurement User groups.

2.4.5 The Audit Team Leader has also attended a 4 day Institute of Internal Auditors (IIA) course on Information Systems Auditing the briefing on this for the Audit Committee as part of the item "Current Audit Issues" proposed has been delayed until January.

2.4.6 One Auditor has completed an IIA Certificate in Internal Audit and Business Risk, the other is working on a distance learning course from Petroc College about Team Leading.

2.5 Performance Indicators

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

	Current	Target
Core	35%	40%
System	43%	38%

2.5.2 Nine post-audit surveys have been sent out so far, six have been returned, and were scored by the client as 4-5 for all questions meaning they were satisfied or very satisfied with the process.

3.0 Audit Opinions

The following opinions have been issued since the last report:

3.1 Payroll

3.1.1 There are areas and processes within the Payroll system which are well controlled; the BACs payment system ensures clear separation of duties and authorisation at every stage, access to the Aurora payroll and HR system is well controlled and since the introduction of Real Time Information (RTI) submissions, all have been made to HMRC on time.

3.1.2 There are a number of employees who now work flexible hours which means that they may concentrate hours at the start or end of a week. This adds another complication to salary calculations which will be kept under review to ensure MDDC remains in accordance with common practice in the public sector.

3.1.3 The process for ensuring that employees return Council property on the cessation of their employment needs to be monitored more closely by Line Managers.

3.1.4 There seems to be a lack of knowledge on how to produce some reports from the Payroll system, which could be addressed by providing extra training.

3.1.5 It is the overall opinion of the auditor that the Payroll System is adequately controlled, with some elements being well controlled.

Summary of Recommendations		
High	Medium	Low
1	5	1

3.2 Housing Rents

3.2.1 It is worth noting that the previous audit of this area was carried out in February 2015, but due to the timetable for published Accounts being brought forward and the new regime since the General Election the review has been carried out now; there have not been any significant changes to the systems of control since then.

3.2.2 The separation of duties between raising the rent debit and collection process continues to be well controlled and the process of writing off former tenant bad debts was also found to be well controlled and documented.

3.2.3 However, as pointed out in the previous Audit, there are still a small number of users of the Orchard System who have changed roles, no longer require access and have not had that access removed.

3.2.4 It is the overall opinion of the auditor that the Housing Rent system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.3 Grants & Donations

3.3.1 The Grants & Funding Officer is located within the Communities & Governance Service; the budget for Strategic Grants is £189,250 and for Seed Funding £23,500. There is an additional “pot” of money administered from this area by the Communities & Governance Officer; this is the Town and Parish Community (TAP) Fund. For 2014/15 the budget was £66,354; this is funded by MDDC to the tune of 10% i.e. £6,635 and the remaining 90% is financed by DCC.

3.3.2 The application processes and assessments by this Service are very thorough and carefully scrutinised by CWB PDG and Cabinet; there is also a robust appeals process.

3.3.3 The concern is that other service areas are also making payments, sometimes to the same organisations, and services may be unaware of each other’s contributions to these groups, which may lead to the terms of certain funding being breached. These payments will be for contributions to organisations whose services are used and valued by MDDC but which are made regardless of the level of use i.e. not as a fee for services rendered but by their nature more generally as a support to the service. They too however are likely to meet corporate plan priority criteria like the CDR ones.

3.3.4 The absence of a central log or database means the overall position cannot be monitored readily.

3.3.5 It is the opinion of the auditor that the area of Grants & Donations is adequate.

Summary of Recommendations		
High	Medium	Low
1	0	0

3.4 Gifts & Hospitality

3.4.1 As at the time of the audit the revised constitution had not gone back to the Standards Committee, this was scheduled to be discussed at the meeting on 19 October 2015 (the original target was 30 April 2015). The recommendations below were addressed by the Constitution Working Party review.

3.4.2 As was observed last year it remains difficult to monitor the area of gifts and hospitality as it relies on staff and Members declaring fully any items/hospitality received. A lack of disclosure would probably only be

apparent if for example there was an instance of whistle-blowing. This highlights the importance of regular reminders.

- 3.4.3 It is the overall opinion of the auditor that gifts & hospitality is adequately controlled.

Summary of Recommendations		
High	Medium	Low
2	1	0

4.0 Conclusion

- 4.1 We will continue to monitor and report on our progress at each Audit Committee meeting.
- 4.2 Outstanding audit recommendations are summarised at Appendix 1. Since the last progress report 16 recommendations have been added to SPAR. 20% of all recommendations are overdue compared to 39% last time.
- 4.3 High Priority deadlines may only be extended with the Audit Committee's agreement. At the last meeting it was agreed to extend the deadline for 2 overdue high priority recommendations, 4 have been made since the last meeting but none became overdue so there are no overdue high priority recommendations at this time and therefore no Appendix 2.
- 4.4 The Chairman of the Audit Committee requested that service managers needed to be reminded about the number of outstanding medium priority core audit recommendations. If there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.
- 4.5 Overall the Internal Audit work plan has had a little slippage; with the Core audits being below and the system audits above target as at the end of October. It may be necessary to delay a couple of the smaller system audits in the plan to 2016/17, the position will be clearer by the next meeting in January 2016.

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

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Incomplete Audits	Year	Recommendations									Total		
		High			Medium			Low			C	N	O
		C	N	O	C	N	O	C	N	O			
Car Park Income	2014	1			6		1				7	0	1
Contracts	2014		1					2		1	2	1	1
Council tax/NNDR	2014				3	5					3	5	0
Customer Care - Complaints	2013				4	1		4			8	1	0
Data Protection	2014	3			1	1	2				4	1	2
Emergency Planning	2015				1	1			2	1	1	3	1
Gifts & Hospitality	2015	1	1			1					1	2	0
Grants & donations	2015										0	0	0
Homelessness	2013						1	2			2	0	1
Housing Benefits	2014				1		1				1	0	1
Housing H & S Management	2014	2					2	1		2	3	0	4
Housing Rents	2015				1	4					1	4	0
Housing Repairs & Maintenance	2014				1		3			2	1	0	5
ICT Core	2014	1			2	1	2			3	3	1	5
Insurance	2015				2	2			1		2	3	0
Legal Services	2015				2		2				2	0	2
Leisure CVSC	2015				3	3					3	3	0
Listed Buildings & Conservation	2015						2				0	0	2
Payroll	2013				2	1		2			4	1	0
Payroll	2014				3	2					3	2	0
Payroll	2015		1			3	2		1		0	5	2
Procurement	2013		1		2	1		2			4	2	0
Recovery	2014					1					0	1	0
Recruitment & Selection & JE	2015				6	1		3	2		9	3	0
Standby	2012				3		1				3	0	1
Time Recording	2014				6		3				6	0	3
Tiverton Pannier Market	2014				7		2	2			9	0	2
Trade Waste	2013				5		1	6	1	1	11	1	2
Vehicles & Fuel	2015	5			4	2	1				9	2	1
		13	4	0	65	30	26	24	7	10	102	41	36

CORE
SYSTEM

C = Completed 57%
N = Not yet due 23%
O = Overdue 20%

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The Annual Audit Letter for Mid Devon District Council

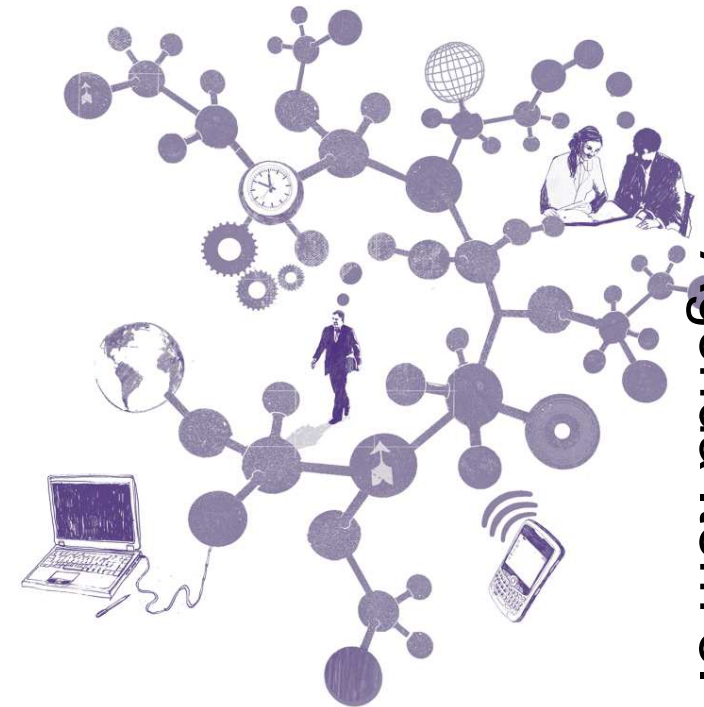
Year ended 31 March 2015

16 October 2015

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Agenda Item 8.

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Appendices

A Key issues and recommendations

B Summary of reports and audit fees

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Mid Devon District Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 24 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

Page 43

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 28 July 2015 to the Audit Committee. The key messages reported were:

- The accounts were prepared early in order for us to ensure a faster delivery of the audit opinion within three weeks of receipt;
- The accounts were free from significant errors; however,
- We did identify two adjustments affecting the Council's reported financial position. Neither have been adjusted as both were considered not material by management.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 29 July 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Value for Money conclusion

We issued an unqualified Value for Money conclusion for 2014/15 on 29 July 2015.

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Key messages continued

Whole of Government Accounts	We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts. We reported that the Council's pack was consistent with the audited financial statements.
Certification of housing benefit grant claim	We have not yet completed our work on the certification of the Council's 2014/15 housing benefit grant claim. The deadline for completion is 30 November 2015. We anticipate that this deadline will be met.
Audit fee	Our fee for 2014/15 was £63,600, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B.

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/responsible officer	Due date
1	Where staff shortages occur for longer than a short period; Management review or oversight should be applied to ensure that invoices are raised as promptly as possible.	Medium	Management undertake constant review of posts/staffing levels to ensure all amounts due to the Council are invoiced promptly. There will also be a thorough review of pending S106s during mid March 2016 to be confident they are all raised in a timely fashion.	Immediate March 2016

Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

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

Fees for other services charged in 2014/15	
Service	Fees £
Tourist Information Centre, Tiverton Challenge.	1,500
Challenge to the variation of car parking charges.	2,000
Homes & Communities Agency – Decent Homes Backlog Funding claim	1,500

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Reports issued	
Report	Date issued
Audit Plan	24 March 2015
Audit Findings Report	28 July 2015
Financial Resilience	November 2015
Certification Report	December 2015
Annual Audit Letter	16 October 2015



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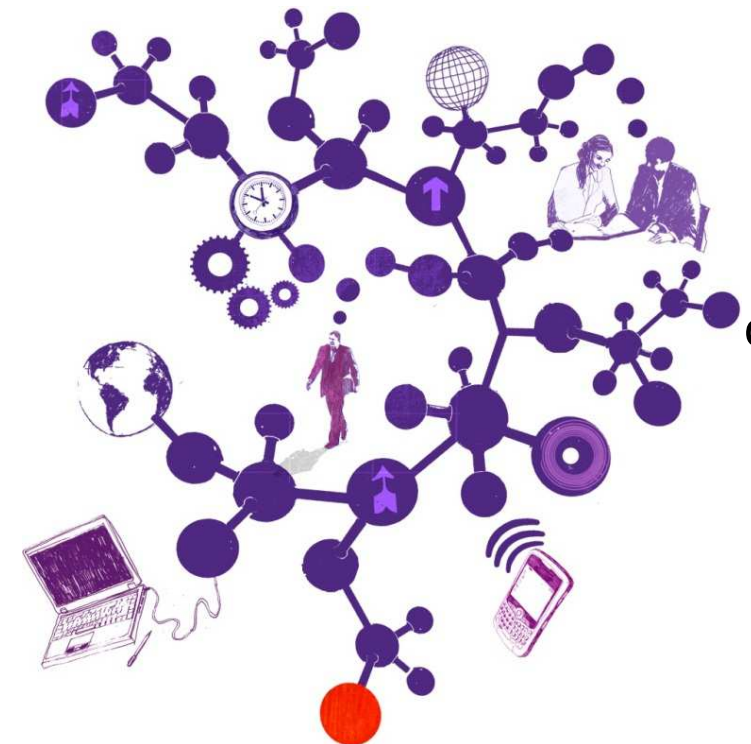
Report on Value for Money for Mid Devon District Council

Page 4
Year ended 31 March 2015
Report date 17 November 2015

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Agenda Item 9.

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

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Introduction

What is this report?

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

It compliments our Audit Findings Report, as presented on 28 July 2015, by providing additional detail on the themes that underpin our VfM conclusion.

Value for Money Conclusion

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

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

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

These criteria are:

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

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

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

Our approach

The approach involves:

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

Our approach is designed to assess:

- arrangements in place related to the specified criteria
- performance during 2014/15 and what that says about those arrangements
- any significant risks that we have identified.

Introduction

SPJ2

What is this context?

Nationally

The last Parliament saw reductions in central funding to Local Government that will have reached 40% by the end of 2015/16.

The Conservatives made a manifesto commitment to move public finances into surplus during 2018-19, so a further two years of deficit reduction are planned. The commitments specific to local government have a key focus on growth and devolution and include:

- devolving far-reaching powers over economic development, transport and social care to those large cities that choose to have elected mayors;
- rebalancing the economy by building a Northern Powerhouse and by backing Selected Metro Mayors;
- introducing financial incentives to councils for promoting economic growth, including piloting the retention of 100% of business rate growth (with Cambridgeshire, Greater Manchester and Cheshire East);
- delivering more bespoke Growth Deals with local councils, where backed by LEPs;
- supporting Business Improvement Districts to bring greater collaboration on local issues.

The level of further departmental spending cuts – including those affecting local government – will not be announced until this Autumn's Spending Review.

Locally

The continuing funding and cost pressures mean that it remains important that Mid Devon District Council has sound arrangements for securing Value for Money.

The Council reported a deficit of £80k for 2014/15, and the Housing Revenue account was overspent by £4k. Overall, there was good financial planning and robust monitoring through the year. There have been one-off gains such as higher than expected new-homes bonus, these have been set-aside for the Council's specific plans.

Usable reserves at 31 March 2015 were £9.3m and HRA of £8.7m, which is an increase on 31 March 2014, so overall, the Council's financial position at the year end remains healthy. However, the Council's forward-looking financial plan recognises the need for savings in 2015/16 of £0.26m and the medium term financial strategy recognises further budget pressures of £2.1m over the next four years to 2018/19.

Slide 5

SPJ2

were they always predicting an overspend? if so that is ok but if they werenet that i snot good financai planning

Steve P Johnson, 04/11/2015

Executive Summary

Overall Risk Assessment

There were no significant risks identified during our VfM planning.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

Key findings

Securing financial resilience

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

- strategic financial planning
- financial governance
- financial control.

Overall our work highlighted that the Council faces difficult decisions to address its reduced funding over the next four years. However, the Council; is in a strong position regarding its reserves levels and does have strategy in place . The Council has a good record in meeting tough financial challenges.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies. Overall our work highlighted The Council's plans prioritise its resources reflecting the financial constraints. The Quarterly Performance and Risk report measures and monitors service delivery to ensure that the Council's target performance does not suffer as a result of savings.

Executive Summary

GND4

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

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

Overview of arrangements

Risk area	Summary observations	High level risk assessment 2013-14	High level risk assessment 2014/15
Key Indicators of Financial Performance	<p>The VfM profiles and Financial ratios have not highlighted areas of unexplained weak performance.</p> <p>Financial ratios have all strengthened during 2014/15.</p> <p>The Value for Money profile highlights a few areas for which the Council's performance is below its nearest neighbours. These are known and link to the Council's priorities.</p>	Green	Green
Strategic Financial Planning	<p>The Council's strategic financial planning builds on its annual revision of the five year medium term financial plan.</p> <p>The summary position for the MTFP, over the next 5 years, shows an overall deficit totalling £2.1m over the life of the plan. The Council has a savings plan that identifies a number of longer term savings.</p> <p>The plan details the savings required on an annual basis, the remaining gaps will be addressed as part of the annual budget setting exercise that commences in July each year.</p>	Green	Green
Financial Governance	<p>The Budget comes under great scrutiny. There is a thorough quarterly financial out-turn report that highlights areas of over and underspend, projects the year end position, and any future uncertainties and sets out action being taken to redress any identified problems.</p> <p>The Council has a performance and risk report. This monitors on-going delivery of key Performance Indicators</p> <p>The Performance and risk report monitors closely the service delivery, any drop in performance is discussed and addressed.</p>	Green	Green

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Slide 7

GND4

re there any gaps? we gave them a green because there were no gaps like other councils- can we clarify this here

Gerri N Daly, 04/11/2015

Executive Summary

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

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

Overview of arrangements

Risk area	Summary observations	High level risk assessment 2013-14	High level risk assessment 2014/15
Financial Control	<p>The Council has a good track record of achieving its plans.</p> <p>The Medium Term Financial plan assumes a constant level of General Fund and Housing Revenue Account reserves.</p> <p>The Budget setting process does not rely on one-off fixes to achieve the projected funding gap.</p> <p>The Finance team remains stable and out-turn reports are prepared quarterly and reported to members.</p> <p>The Council's Audit Committee monitors the corporate risk register and ensures that agreed action plans are completed.</p>	Green	Green
Prioritising Resources	<p>Management team receive and assess the in year savings. These are analysed to ensure there is a strategic fit with the Council's priorities.</p> <p>The annual budget and the updated MTFP are monitored and reviewed by management team and subsequently by members.</p> <p>Service managers and supervisors are involved in the first round of identifying savings.</p>	Green	Green
Improving Efficiency & Productivity	<p>The Council understands its areas of high cost. Analysis shows these are linked to priority areas, or reflect decisions made to keep services in-house compared to Councils that have outsourced.</p> <p>The Performance report tracks key Performance indicators, a few have not reached target. Actions are put in place and underperformance addressed.</p>	Green	Green

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Key Indicators of Financial Performance

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

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

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Council Tax collection	Green	Council tax collection rate was 97.80% (97.56% in 2013/14) which is an increase over the year, but still below the target of 98% target. This is a positive result, given the expectation that collection would be difficult as Benefit claimants were required to contribute for the first time in 2013/14.	Green
NDR collection	Green	NDR collection rates were 99.00% (98.4% in 2013/14), an increase over the year. This represents a good result for the Council.	Green
Workforce	Amber	Sickness has risen to an average of 9.21 days from an average of 8.64 days in 2013/14. The Council's target is 7 days, However a few instances of long term absence have contributed to the high figure.	Amber
Performance against budgets (Revenue Capital & Savings)	Green	The Council reported a small deficit of £80k for 2014/15, £163k in 2013/14) whilst the Housing Revenue account was overspent by £4k (surplus of £36k in 2013/14). This is very close to budget and demonstrates that the Council has achieved challenging savings targets. In 2014/15 capital expenditure amounted to £12,088k (£5,712k. in 2013/14), against the revised capital budget of £15,044k.	Green
Reserves balances	Green	At 31 March 2015 the Council held revenue reserves, general fund and earmarked, of £9,333k (£8,303k at 31 March 2014) and HRA reserves of £8,730k (£6,617k at 31 March 2014). This puts the Council's financial reserves in a good position looking forward.	Green

Key Indicators of Financial Performance

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

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

Area of focus	2014/15	2013/14	Commentary (spend per head of population)	RAG-Rating 2014/15
Working capital ratio	3.34	3.33	Proportion of current assets to current liabilities. The Council has cover for its current liabilities, although this is less than its nearest neighbours.	Green
General Fund Balance	2,380	2,460	General fund balance is constant and close to the Council's target level of £2,500k	Green
Usable reserves to Gross revenue expenditure	6,953	5,843	The Council increased its Earmarked reserves which included £663k increase in the New Homes bonus reserve.	Green
Usable capital receipts	985	1,071	The council has a low level of usable capital receipts. The Council's capital programme is fully funded through the planned use of new homes bonus, if grants are not available.	Green
Long term borrowing to tax revenue ratio	0.27	0.27	The level of debt to income remained static over the year.	Green

Source – Audit Commission Key ratio profiles

Key Indicators of Financial Performance

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

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

Area of focus	2013/14	2012/13	Average 2013/14	Commentary (spend per head of population)	RAG-Rating 2014/15
Total net spend per head	359.71	373.24	419.64	Spending per head of population is below the Group average	Green
Spend on council tax benefits and housing benefits administration per head	10.43	16.92	13.11	Overall administration costs are below the Group average.	Green
Spend on culture and sport	54.03	52.08	30.24	The council has prioritised its service provision in this area and has retained the provision in-house. Therefore it is expected that expenditure will be high. The Council also has higher income from the service which compares favourably with the Council's neighbours.	Green
Environmental services	53.89	49.00	45.92	This reflects the Council's priorities and is not significantly above the average.	Green
Housing Services	12.35	16.00	13.81	Spending per head of population is below the Group average	Green
Sustainable economy	65.29	64.73	65.12	Costs are close to the group average.	Green

Source – Audit Commission Value for Money profiles

Key Indicators of Financial Performance

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

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

Area of focus	2013/14	2012/13	Average 2013/14	Commentary (spend per head of population)	RAG-Rating 2014/15
Council Tax requirement	5,712k	6,129k	5,798k	Requirement is falling and is below the Group average.	Green
Income from Sales, Fees and charges as % of total spend	21.65%	19.11%	26.58%	Income is increasing but remains just below the average	Green
Reserves as a % of net current expenditure	29.30%	21.40%	20.80%	Reserves are rising against decreasing net cost of services.	Green
Spend on management and support	45.50%	45.60%	35.70%	The Council still maintains a Housing Revenue Account and still has in-house leisure services and refuse and recycling provision which means the cost of management and support will be proportionately higher	Amber

Source – Audit Commission Value for Money profiles

Strategic Financial Planning

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Focus of the MTFP	Green	The summary position for the MTFP, over the next 5 years, shows an overall deficit totalling £2.1m over the life of the plan. This is clearly a growing challenge based upon a number of assumptions, caveats and decisions and is now made even harder by the volume related risks that the Government has transferred to Councils with the changes to Council Tax Benefit and Business Rate localisation.	Green
Adequacy of planning assumptions	Amber	The planning assumptions are set out in the MTFP. These take account of the expected factors and identify initiatives that will enable savings to be made. The plan is detailed, but does not quantify all the targeted savings. However, the Council has achieved its target in the past.	Green
Scope of the MTFP and Links to Annual Planning	Green	The starting base for the MTFP is the 2014/15 approved budget, this is then adjusted for any supplementary estimates approved by the Council or any significant budget variances identified in the monthly budget monitoring report to the Cabinet. This base then has to be adjusted for unavoidable costs, such as, pay increases, inflation, service pressures associated with new legislation, a growing property base or improving performance, etc. The MTFP considers and makes assumptions regarding future levels of Council Tax (including the potential growth in Tax base) and the likely level of future Central Government funding.	Green
Review process	Green	Annual budget is monitored monthly and reported quarterly. The MTFP is only revisited in year if one of the underlying principles changes. The MTFP is updated each year, in the Autumn after budget consultations have been undertaken	Green
Responsiveness of the Plan	Green	There is a level of sensitivity analysis set out in an Appendix. Reporting to members highlights any risk areas where out-turn is different from the plan. Risk register includes a risk that the plan will not be achieved.	Green

Financial Governance

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Understanding of the financial environment	Green	The MTFP makes a number of financial assumptions based on a sensible and prudent approach, taking account of the most up to date professional advice that is available. These are detailed as an Appendix to the MTFP, outlining their sensitivity to change in values. Income sources are understood, and potential new sources (e.g. shop rents) are considered, even if a by product of strategic investment.	Green
Executive & Member Engagement	Amber	Management team meets weekly, The S151 officer is part of the management team and therefore has an oversight of all major decisions and actions. A member of the management team is in attendance at all Council meetings. A new Audit Committee was put in place in June 2015, with increased participation. This has provided a further increase to the level of challenge..	Green
Overview for controls over key cost categories	Green	The budget, savings plans and the MTFP are developed through the management team. Monitoring is on a quarterly basis to members. The action plan in response to issues arising is monitored through management team.	Green
Budget Reporting (Revenue & Capital)	Green	Budget comes under great scrutiny. Alongside the budget is the performance and risk report. This monitors the on-going delivery of the Council's key Performance indicators	Green
Adequacy of other Committee Reporting	Green	Although financial ratios not monitored, there is a comprehensive performance report each quarter. Financial ratios have been calculated and discussed with the Head of Finance.	Green

Financial Control

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Budget setting & monitoring - revenue & capital	Green	Budget setting and MTFP planning is not reliant on one-off fixes but do map identified savings forward. The Council has a good track record of achieving its plans. The plan assumes a constant level of General Fund and Housing Revenue Account reserves.	Green
Savings plans setting & monitoring	Green	The Head of Finance and the Chief Executive hold interviews with all managers ahead of budget setting; the aim is to identify savings and to discuss efficiency. The results of these meetings are presented as a planned savings list. The list is then discussed at management team and subsequently with members to arrive at the proposed savings plan.	Green
Key financial accounting systems	Green	Internal Audit complete their work on key financial systems in the final quarter of each financial year. A summary of which is reported in the annual audit report.	Green
Finance department resourcing	Green	The finance team is considered adequately resourced. Although vacancies are not being filled, the work is being redesigned to assist people working differently and some work has been being re-profiled, egg financial monitoring is quarterly rather than monthly	Green
Adequacy of Internal audit arrangements	Green	Internal Audit plans are discussed and agreed by the Audit committee. An annual self-assessment is undertaken and reported each year. Although the Chief Internal Auditor presents summarised audit findings at each committee, all reports are circulated to the audit committee and can be discussed in the meeting. Internal Audit plans have been substantially delivered with some agreed amendments in the year	Green
Assurance framework/risk management processes	Green	Council has revised its governance strategy in 2014/15 and the 2014/15 Annual Governance Statement was presented and agreed with the Audit Committee.. Action plans, resulting from the statement are followed through, along with all recommendations arising from audit Committee reporting, with regular updates on actions to address weaknesses.	Green

Prioritising Resources

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Leadership and challenge in prioritising resources	Green	<p>Management team receive and assess the in year savings. These are analysed to ensure there is a strategic fit with the Council's priorities. Progress against the budget is monitored and reviewed by management team and subsequently by members.</p> <p>The Corporate plan links to the MTFP and the annual budget flows from that process.</p> <p>Service managers are encouraged to find savings, including looking at alternative delivery methods. The Council has worked with other Council's (Torrige, North Devon and East Devon) in the past and currently has sharing arrangements in place with North Devon DC.</p> <p>The Council has outsourced in the past, but brought these back in-house following best value reviews.</p>	Green
Consultation with key stakeholders	Green	<p>Staff consultation is informal, done in team meetings, reported in newsletter, briefings to senior officers forum twice a year. Service managers and supervisors are involved in the first round of identifying savings.</p> <p>The newsletter allows opportunities for all staff to input ideas and opportunities. Department managers are encouraged to include staff in the identification of savings.</p> <p>The Council has not established many joint working relationships, although recent initiatives on are being trialled.</p> <p>Other partnership working is focused on statutory, or expected relationships (e.g. police town/parish councils).</p>	Green
Basis for decision making	Green	<p>The Council has not undertaken any major procurement exercises in recent years. However, management are open to approaches, where these fit the Council's priorities.</p>	Green
Understanding impact and outcome of decisions	Green	<p>The Council carries out best value reviews for all key decisions. All new proposals and efficiencies require a detailed business case.</p>	Green

Improving Efficiency & Productivity

Area of focus	RAG-Rating 2013/14	Summary observations for 2014/15	RAG-Rating 2014/15
Understanding costs	Green	The Council understands its areas of high cost.(see page 11) and where identified are in line with the Council's priorities.	Green
Data quality	Green	IT systems are robust. The Council uses its data to produce a comprehensive quarterly performance report. This analyses the Council's key performance indicators and highlights areas where action may need to be taken. IA review data submissions to ensure they are robust.	Green
Delivery of Savings and service re-design	Green	The Council has met its budget and exceeded its savings targets in the past, and achieved its Identified savings. Future savings plans are focused on achievable outcomes. Plans are detailed and there is no reliance on ad-hoc, one-off wins. The Council does not rely on its reserves to bridge savings gaps.	Green
Effectiveness of key services	Green	There is no evidence of key service failures. The Performance report tracks key Performance Indicators. The 2014/15 quarter 4 report highlights that some have not reached target, but the reasons are understood. Actions are put in place and underperformance addressed.	Green

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Audit Committee Update

Mid Devon District Council

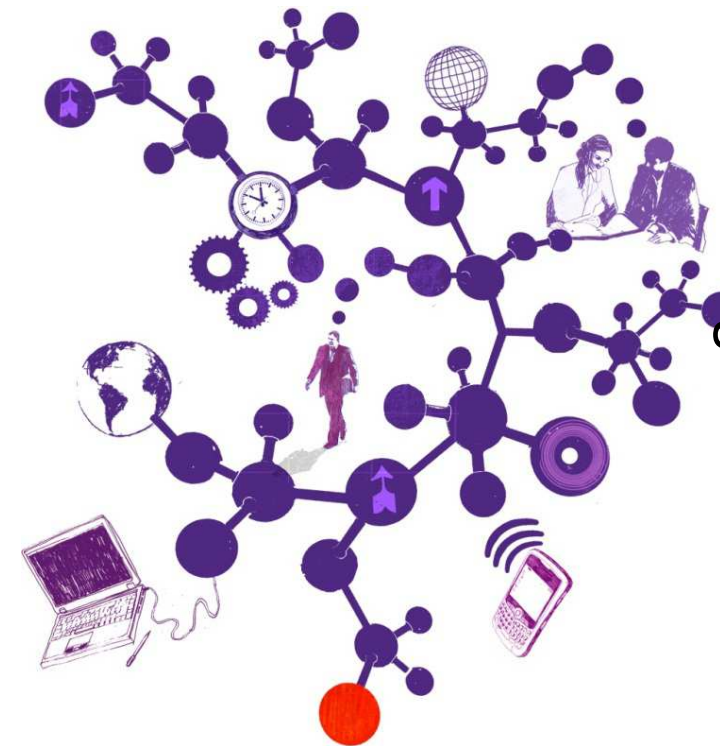
Year ended 31 March 2016

17 November 2015

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Agenda Item 10.

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

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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:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015

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

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Progress at 31 October 2015

Work	Planned date	Complete?	Comments
<p>2015/16 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 Council's 2015/16 financial statements.</p>	December 2015 to March 2016.	No	Audit plan will be presented to 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 Value for Money conclusion. 	January to March 2016	No	The findings from interim audit will be reported to the March Audit Committee
<p>2015/16 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2015/16 financial statements • proposed opinion on the Council 's accounts 	June to July 2016	No	We intend to report our findings and give our audit opinion to the July Audit Committee

Progress at 31 October 2015 (continued)

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2015/16 VfM conclusion comprises:</p> <ul style="list-style-type: none"> proper arrangements in place for securing financial resilience. proper arrangements for challenging how it secures economy, efficiency and effectiveness. 	January to July 2016	No	<p>This work was completed and our conclusion for 2014/15 given on 29 July 2015.</p> <p>The Financial Resilience report is on the agenda for this meeting</p>
<p>Certify the Council's WGA accounts</p>	August 2016.	No.	<p>This work was completed in August 2015 for 2014/15.</p> <p>As the deadline for the Council's submission is likely to be July 2016, we will plan our work for August.</p>
<p>Grant claims and certification.</p> <p>We anticipate that we will be required to certify the Council's 2015/16 Housing benefit and council tax subsidy claim.</p>	<p>June 2015 to November 2015.</p> <p>June 2016 to November 2015.</p>	<p>No</p> <p>No</p>	<p>Work has started on the 2014/15 Housing Benefit claim will be concluded in November 2015.</p> <p>The annual grants letter for 2014/15 will be issued once we have certified the claim</p> <p>The work on the 2015/16 claim will be carried out between June 2016 and November 2016.</p>
<p>Other grant claims</p> <p>In addition, in 2015, we have undertaken the, under a separate engagement, certification of the Council's:</p> <ul style="list-style-type: none"> HCA Backlog maintenance claim; and Pooling of capital receipts claim. <p>Should these be required</p>	August 2016?	No	

Making devolution work: A practical guide for local leaders

Grant Thornton market insight

Our latest report on English devolution is intended as a practical guide for areas and partnerships making a case for devolved powers or budgets.

The recent round of devolution proposals has generated a huge amount of interest and discussion and much progress has been made in a short period of time. However, it is very unlikely that all proposals will be accepted and we believe that this the start of an iterative process extending across the current Parliament and potentially beyond.

With research partner Localis we have spent recent months speaking to senior figures across local and central government to get under the bonnet of devolution negotiations and understand best practice from both local and national perspectives. We have also directly supported the development of devolution proposals. In our view there are some clear lessons to learn about how local leaders can pitch successfully in the future.

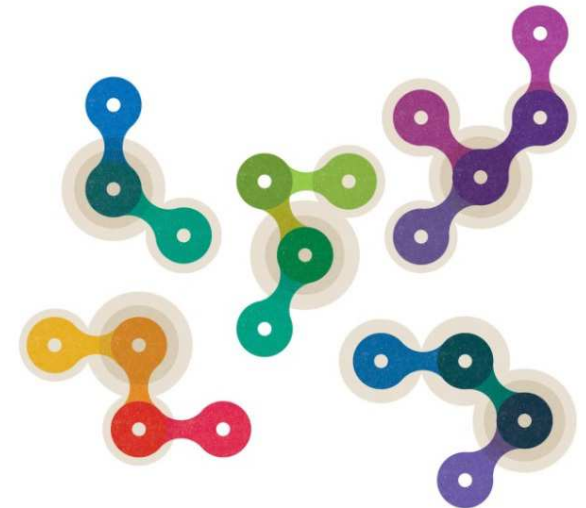
In particular, our report seeks to help local leaders think through the fundamental questions involved:

- what can we do differently and better?
- what precise powers are needed and what economic geography will be most effective?
- what governance do we need to give confidence to central government

The report 'Making devolution work: A practical guide for local leaders' can be downloaded from our website:

<http://www.grantthornton.co.uk/en/insights/making-devolution-work/>

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



Turning up the volume: The Business Location Index

Grant Thornton market insight

Inward investment is a major component of delivering growth, helping to drive GDP, foster innovation, enhance productivity and create jobs, yet the amount of inward investment across England is starkly unequal.

The Business Location Index has been created to help local authorities, local enterprise partnerships, central government departments and other stakeholders understand more about, and ultimately redress, this imbalance. It will also contribute to the decision-making of foreign owners and investors and UK firms looking to relocate.

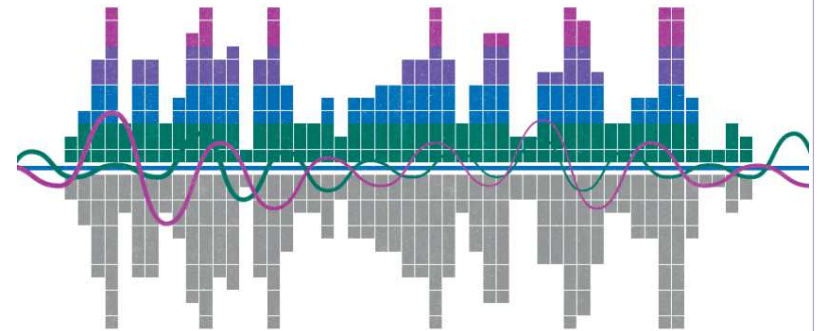
Based on in-depth research and consultation to identify the key factors that influence business location decisions around economic performance, access to people and skills and the environmental/infrastructure characteristics of an area, the Business Location Index ranks the overall quality of an area as a business location. Alongside this we have also undertaken an analysis of the costs of operating a business from each location. Together this analysis provides an interesting insight to the varied geography that exists across England, raising a number of significant implications for national and local policy makers.

At the more local level, the index helps local authorities and local enterprise partnerships better understand their strengths and assets as business locations. Armed with this analysis, they will be better equipped to turn up the volume on their inward investment strategy, promote their places and inform their devolution discussions.

The report 'Turning up the volume: The Business Location Index' can be downloaded from our website:

<http://www.grantthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/publication/2015/business-location-index-turning-up-the-volume.pdf>

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



Knowing the Ropes – Audit Committee Effectiveness Review

Grant Thornton

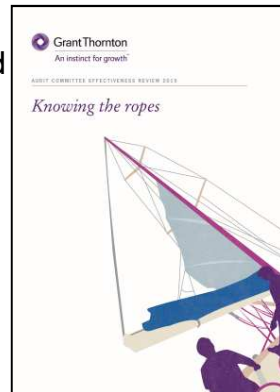
This is our first cross-sector review of audit committee effectiveness encompassing the corporate, not for profit and public sectors. It provides insight into the ways in which audit committees can create an effective role within an organisation's governance structure and understand how they are perceived more widely. It is available at <http://www.grantthornton.co.uk/en/insights/knowning-the-ropes--audit-committee-effectiveness-review-2015/>

The report is structured around four key issues:

- What is the status of the audit committee within the organisation?
- How should the audit committee be organised and operated?
- What skills and qualities are required in the audit committee members?
- How should the effectiveness of the audit committee be evaluated?

It raises key questions that audit committees, board members and senior management should ask themselves to challenge the effectiveness of their audit committee.

Our key messages are summarised opposite.



Size: 3-5 members is an ideal size for an audit committee

Frequency: meetings should be regular and the length should adapt to content

Relevance: audit committee members should be selected based on the skills and experience they bring

Communication: papers should strike the balance between detail and length

Ability: training should be provided for audit committee members

Clarity: the role of the audit committee and its relationship with other committees, should be clearly defined

Evolution: audit committees should continually develop

The two key things that audit committee members should be asking are:

- 1 What is expected of the audit committee and does it reflect the specific nature of the industry in which the organisation sits?
- 2 Does the audit committee have clear terms of reference in place? Audit committees should set themselves targets for what they want to achieve and define how these will be measured to ensure they are operating effectively.

George Osborne sets out plans for local government to gain new powers and retain local taxes

Local government issues

The Chancellor unveiled the "devolution revolution" on 5 October involving major plans to devolve new powers from Whitehall to Local Government. Local Government will now be able to retain 100 per cent of local taxes and business rates to spend on local government services; the first time since 1990. This will bring about the abolition of uniform business rates, leaving local authorities with the power to cut business rates in order to boost enterprise and economic activity within their areas. However, revenue support grants will begin to be phased out and so local authorities will have to take on additional responsibility. Elected Mayors, with the support of local business leaders in their LEPs, will have the ability to add a premium to business rates in order to fund infrastructure, however this will be capped at 2 per cent.

There has been a mixed reaction to this announcement. Some commentators believe that this will be disastrous for authorities which are too small to be self-sufficient. For these authorities, the devolution of powers and loss of government grants will make them worse off. It has also been argued that full devolution will potentially drive up council's debt as they look to borrow more to invest in business development, and that this will fragment the creditworthiness of local government.

Challenge question

Have members been briefed by the Head of finance on the Chancellor's "devolution revolution" announcement and its likely impact on the Council?

Councils must deliver local plans for new homes by 2017

Local government issues

The Prime Minister announced on 12 October that all local authorities must have plans for the development of new homes in their area by 2017, otherwise central government will ensure that plans are produced for them. This will help achieve government's ambition of 1 million more new homes by 2020, as part of the newly announced Housing and Planning Bill.

The government has also announced a new £10 million Starter Homes fund, which all local authorities will be able to bid for. The Right to Buy Scheme has been extended with a new agreement with Housing Associations and the National Housing Federation. The new agreement will allow a further 1.3 million families the right to buy, whilst at the same time delivering thousands of new affordable homes across the country. The proposal will increase home ownership and boost the overall housing supply. Housing Association tenants will have the right to buy the property at a discounted rate and the government will compensate the Housing Associate for their loss.

Challenge question

Have members been briefed by Head of Finance on the government's new homes announcements and their likely impact on the Council?

Improving efficiency of council tax collection

Local government issues

DCLG have published "Improving Efficiency for Council Tax Collection", calling for consultation on the proposals to facilitate improvements in the collection and enforcement processes in business rates and council tax. The consultation is aimed specifically at local authorities, as well as other government departments, businesses and any other interested parties. The consultation document states that council tax collection rates in 2014-15 are generally high (at 97 per cent), however the government wishes to explore further tools for use by local authorities and therefore seeks consultation from local authorities on DCLG's proposals. The consultation closes on 18 November.

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The Government proposes to extend the data-sharing gateway which currently exists between HMRC and local authorities. Where a liability order has been obtained, the council taxpayer will have 14 days to voluntarily share employment information with the council to enable the council to make an attachment to earnings. If this does not happen, the Government proposes to allow HMRC to share employment information with councils. This would help to avoid further court action, would provide quicker access to reliable information, and would not impose any additional costs on the debtor. The principle of this data-sharing is already well-established for council taxpayers covered by the Local Council Tax Support scheme, and it would make the powers applying to all council tax debtors consistent. Based on the results of the Manchester/HMRC pilot, Manchester estimate that £2.5m of debt could potentially be recouped in their area alone.

Challenge question

Have members been briefed by Head of Finance on the government's council tax collection consultation and the Council's response to it?

Code of Audit Practice

National Audit Office

Under the Local Audit and Accountability Act 2014 the National Audit Office are responsible for setting the Code of Audit Practice which prescribes how local auditors undertake their functions for public bodies, including local authorities.

The NAO have published the Code of Audit Practice which applies for the audit of the 2015/16 financial year onwards. This is available at <https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2015/03/Final-Code-of-Audit-Practice.pdf>

The Code is principles based and will continue to require auditors to issue:

- Opinion on the financial statements
- Opinion on other matters
- Opinion on whether the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (the "VFM conclusion".)

The NAO plan to supplement the new Code with detailed auditor guidance in specific areas. The published draft audit guidance for consultation on the auditor's work on value for money arrangements in August 2015, which is due to be finalised in November 2015. The draft guidance includes the following.

- Definition of the nature of the opinion to be given – i.e. a "reasonable assurance" opinion as defined by ISAE 300 (revised)
- Definitions of what could constitute "proper arrangements" for securing economy, efficiency and effectiveness in the use of resources
- Guidance on the approach to be followed by auditors in relation to risk assessment, with auditors only required to carry out detailed work in areas where significant risks have been identified
- Evaluation criteria to be applied
- Reporting requirements.

Grant Thornton submitted a response to the consultation which closed on 30 September 2015.

Supporting members in governance

Grant Thornton and the Centre for Public Scrutiny

We have teamed up with the Centre for Public Scrutiny to produce a member training programme on governance. Elected members are at the forefront of an era of unprecedented change, both within their own authority and increasingly as part of a wider local public sector agenda. The rising challenge of funding reductions, the increase of alternative delivery models, wider collaboration with other organisations and new devolution arrangements mean that there is a dramatic increase in the complexity of the governance landscape.

Members at local authorities – whether long-serving or newly elected – need the necessary support to develop their knowledge so that they achieve the right balance in their dual role of providing good governance while reflecting the needs and concerns of constituents.

To create an effective and on-going learning environment, our development programme is based around workshops and on-going coaching. The exact format and content is developed with you, by drawing from three broad modules to provide an affordable solution that matches the culture and the specific development requirements of your members.

- Module 1 – supporting members to meet future challenges
- Module 2 – supporting members in governance roles
- Module 3 – supporting leaders, committee chairs and portfolio holders

The development programme can begin with a baseline needs assessment, or be built on your own understanding of the situation.

Further details are available from your Engagement Lead and Audit Manager



Glossary

Abbreviation	Detail
DCLG	Department for Communities and Local Government
GDP	Gross Domestic Product
HCA	Homes and Community Agency
HMRC	HM Revenue and Customs
ISAE	International Standard on Assurance Engagements
NAO	National Audit Office
VFM	Value for Money
WGA	Whole of Government Accounts



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