

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 15 March 2016 at 5.30 pm
Exe Room, Phoenix House

Next ordinary meeting
Tuesday, 31 May 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. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.
4. **Minutes of the previous meeting** (*Pages 5 - 10*)
To approve as a correct record the Minutes of the meeting held on 19 January 2016 (copy attached).
5. **Impact of earlier accounts filing** (*Pages 11 - 14*)
To receive a report from the Head of Finance reporting on the ramifications of the earlier preparation and audit of the annual statutory financial statements.

6. **Code of Corporate Governance** (Pages 15 - 26)
To receive a report from the Head of Communities and Governance presenting the Committee with the updated Code of Corporate Governance.
7. **Risk and Opportunity Management Strategy** (Pages 27 - 38)
To receive a report from the Head of Communities and Governance presenting the Committee with the updated Risk and Opportunity Management Strategy for approval.
8. **Progress update on the Annual Governance Statement Action Plan** (Pages 39 - 42)
To receive a report from the Head of Communities & Governance providing the Committee with an update on progress made against the 2014/15 Annual Governance Statement Action Plan.
9. **Internal Audit Progress Report** (Pages 43 - 50)
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.
10. **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 the previous item on the agenda)

11. **Performance and Risk report for the third quarter of 2015-16** *(Pages 51 - 76)*
To receive a report from the Internal Audit Team Leader 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 any key business risks.
12. **Four year Strategic Audit Plan and Work Programme** *(Pages 77 - 82)*
To receive a report from the Internal Audit Team Leader presenting the Strategic Audit Plan for 2016/17 to 2019/20 and detailed Audit Work Plan for 2016/17.
13. **Internal Audit Charter Report** *(Pages 83 - 86)*
To receive a report from the Internal Audit Team Leader presenting the Committee with the revised Internal Audit Charter Timetable.
14. **The Audit Plan - Grant Thornton** *(Pages 87 - 110)*
To receive a report from the external auditors providing an overview of the planned scope and timing of the 2015/2016 audit as required by International Standard on Auditing (UK & Ireland) 260.
15. **Grant Thornton update** *(Pages 111 - 126)*
To receive a report from the External Auditors providing an update on delivering their responsibilities. The report also includes a summary of emerging national issues and a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.
16. **Certification letter from Grant Thornton** *(Pages 127 - 130)*
To receive the Certification year end letter for 2014/15 from Grant Thornton.
17. **Chairman's Annual Report 2015/16** *(Pages 131 - 134)*
To receive the Chairman's annual report on the work of the Committee since May 2015 which will be submitted to Council on 27 April 2016.
18. **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:
 - Annual Governance Statement
 - Performance and Risk Outturn Report for 2015/16
 - Internal Audit Outturn Report for 2015/16
 - Internal Audit Reports
 - Annual Report and Accounts 2015/16
 - Update from the External Auditors
 - Start time of meetings

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

Stephen Walford
Chief Executive
Monday 7 March 2016

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

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

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

Public Wi-Fi is available in all meeting rooms.

MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 19 January 2016 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs J B Binks, Mrs C Collis, T G Hughes,
F W Letch and Mrs N Woollatt

Apologies

Councillors

R M Deed and R F Radford

Also Present

Councillor

P H D Hare-Scott

Also Present

Officers

Amy Tregellas (Head of Communities and Governance and Monitoring Officer), Andrew Cawdron (Finance Manager), Catherine Yandle (Internal Audit Team Leader), Nicky Chandler (Auditor), Suzanne Kingdom (Auditor) and Sarah Lees (Member Services Officer)

49. **APOLOGIES**

Apologies were received from Councillors R F Radford and R M Deed, who was substituted by Cllr Mrs N Woollatt.

50. **PUBLIC QUESTION TIME**

There were no members of the public present.

51. **MINUTES OF THE PREVIOUS MEETING**

The Minutes of the previous meeting were confirmed as a true and accurate record and **SIGNED** by the Chairman.

52. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had no announcements to make.

53. **PRESENTATION FROM THE INTERNAL AUDIT TEAM REGARDING THE DRAFT STRATEGIC AUDIT PLAN (00:05:00)**

Members of the Internal Audit Team introduced themselves and provided the Committee with a presentation explaining the process involved in creating a Strategic Audit Plan. Price Waterhouse Cooper had issued a report in 2015 stating that there were six key stages starting with developing a mission and setting a vision. Further stages involved the following:

- Understanding the organisational plan, assessing its needs and providing recommendations for filling the gaps, for example, there was a need for the Council to become more commercial.
- Being ready for the unexpected as well as the obvious.
- Periodic benchmarking through the Devon Audit Partnership.
- Identifying training needs within the team such as social media and data analytics.
- There needed to be stakeholder alignment, for example, with the Audit Committee.
- Thorough risk assessment needed to be undertaken. The Committee were shown a spreadsheet listing the audited areas and the weighting applied to each area. It was explained that the larger the monetary value, the higher the weighting. The spreadsheet automatically calculated the number of days needing to be spent on audits over a 4 year cycle. Sensitivity was also taken into account, that is, what the public perception would be regarding a particular area. A combination of all these produced an overall score for a service area.
- Assurance mapping was also taken into consideration when assessing a service area, for example, food safety was also monitored by the Foods Standards Agency.
- Performance and success also needed to be measured as well as change management.
- Risk profiles could also change as a result of out sourcing and partnership working.

Comparison costs were provided showing how much Mid Devon District Council's internal audit team cost per day compared to other comparable councils, as well as comparisons in relation to the number of audit days available and days off due to sickness. The Internal Audit Team Leader stated these figures compared favourably within the Devon Audit Partnership.

Discussion took place regarding:

- Core audits in relation to ICT, including software licenses, systems, hardware and the use of external experts to attempt to 'hack' Mid Devon's systems as part of PSN compliance which they had been unable to do. It was explained that the Audit Committee had an opportunity to examine these audits in detail on a regular basis.
- The Payroll system had recently been replaced and was working well.

54. **DRAFT STRATEGIC AUDIT PLAN FOR 2016/17 (00:27:20)**

The Committee had before it a report * from the Internal Audit Team Leader presenting the Draft Strategic Audit Plan for 2016/17 to 2019/20 and the Draft Audit Work Plan for 2016/17.

She outlined the contents of the report stating that Appendix B summarised how the team would be spending their time over the next four years. Appendix A provided a detailed plan for 2016/17. Quarter one would be unusual compared to previous years with the bringing forward of the final accounts and a realignment of audits in this area

as a result. The Committee were reminded that should they have concerns about a particular area they could request that certain audits be brought forward.

Discussion took place regarding:

- The timing of audits in relation to listed building and conservation areas. It was confirmed that audits in this area were included within a rolling programme and that one had only recently taken place.
- Car parking was also included within the rolling programme and was audited on a regular basis.

RESOLVED that the draft audit plan be submitted for final approval at the next Audit Committee on 15 March 2016.

(Proposed by the Chairman)

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

55. INTERNAL AUDIT PROGRESS REPORT (00:32:18)

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.

Five core audits had been listed within the report and it had been very pleasing that most had been judged to be well controlled. The exception had been Council Tax but the recommendations had not been classified as high priority.

The summary of outstanding audits had again improved with only 15% now overdue and none of these were core audits with high risk recommendations.

Specific discussion relating to each of the internal audits listed in the report took place under the next item.

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

56. INTERNAL AUDIT REPORTS (STANDING ITEM) (00:35:36)

The Committee had before it a report * from the Internal Audit Team Leader.

Discussion regarding internal audit reports took place under each service area heading:

Council Tax/NNDR & Recovery

- 'Proof of posting' needed to be addressed in order to ensure that the Council could easily prove bills had been posted if challenged.
- Evidence of correspondence and follow up letters needed tightening up.

Treasury Management

The Council had received back almost all of the money invested with the Icelandic Heritable Bank but it would be approximately 12 to 18 months before it would be known whether there would be a final dividend. The worst case scenario would be that the Council would have £20k outstanding.

Income and Cash Collection

The Chairman stated that with regard to audit recommendations in general he found it unacceptable that some dating as far back as 2011 and 2012 were still outstanding, however, he had been reassured that these would be dealt with imminently.

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

57. **MEMBERS MOTOR INSURANCE DISCLOSURES (00:44:25)**

Following discussions at a previous meeting the Internal Audit Team Leader provided the Committee with an update regarding the number of Members who had provided the Council with a copy of their motor insurance details stating that they were covered for business use. Not all Members had done this and follow up action was required.

Discussion took place regarding how information relating to this issue had been relayed to Members particularly if they had submitted a claim and this had not been paid. The question was asked whether Members had been written to individually informing them that they would not be paid until they had produced evidence to prove that they were covered.

It was explained that articles had been placed in the Members Weekly Information Sheet on several occasions and it had been brought up at full Council. However, in addition to this the Head of Communities and Governance would check with Payroll who had not been paid and request that they be written to individually. It was further explained that because non-payment may have occurred very recently it may be possible for affected Members to resubmit the claim having provided the necessary documents.

The Chairman stated that he would remind his colleagues in the Conservative Group at their next meeting of the need to provide copies of the necessary documents and also at the next full Council meeting.

58. **UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:53:55)**

The Committee had before it, and **NOTED**, a report * from the Head of Communities & Governance and Monitoring Officer providing it with an update on progress made against the 2014/15 Annual Governance Statement Action Plan.

It was confirmed that the consultation in relation to the new Corporate Plan would cease on 29 January 2016. Business, community and voluntary groups as well as the Citizens Panel had been consulted. The results of the consultation would be reported

to the Cabinet on 11 February 2016 and a draft version of the Corporate Plan would be presented to full Council on 24 February 2016.

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

59. **EXTERNAL AUDIT UPDATE (00:57:10)**

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

Grant Thornton had been unable to attend the meeting due to sickness, however, it was noted that their audit work was due to start on 8 February therefore the report to the next meeting would provide a more meaningful update in any case.

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

60. **CERTIFICATION YEAR END LETTER 2014/15 (00:57:30)**

The Committee had before it a letter * regarding the certification work undertaken by the external auditors for the year ended 31 March 2015.

Due to the fact that Grant Thornton had been unable to attend the meeting it was **AGREED** that consideration of the Certification Letter would be deferred until the next meeting.

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

61. **IDENTIFICATION OF ITEMS FOR THE NEXT MEETING (0058:57)**

In addition to the items already listed in the work programme for the next meeting it was **AGREED** that the following also be added to the agenda.

- Certification Letter from Grant Thornton
- Impact of Earlier Accounts Filing

(The meeting ended at 6.30 pm)

CHAIRMAN

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AUDIT COMMITTEE 15 MARCH 2016

IMPACT OF EARLIER ACCOUNTS FILING

Cabinet Member Cllr Peter Hare-Scott
Responsible Officer Head of Finance, Andrew Jarrett

Reason for Report: To report on the ramifications of the earlier preparation of, and audit of, the annual statutory financial statements.

RECOMMENDATION(S): That the Report be noted.

Relationship to Corporate Plan: In line with good practice and value for money.

Financial Implications:

Legal Implications: No issues.

Risk Assessment:

1.0 Introduction

1.1 The government wants to receive the financial outturn from Councils before Parliament's summer recess. It has therefore been announced that the accounts by local authorities and unitary authorities for the year ended 31 March 2018, and for subsequent years will need to be approved by **31 May**. The current deadline is 30 June, so this is one month earlier. The NHS is already on this timetable and so we have the opportunity to examine others processes.

1.2 The audit of the financial statements, a statutory requirement that we cannot avoid, will also be brought forward and must now be completed by **31 July** in each year. This will require the auditors to amend their methodology too and will mean that both local authorities and the NHS will have the same accounting and auditing deadlines. It will inevitably place greater demands upon the auditors at key stages during the year.

2.0 Accounting Impact

2.1 The financial statements of the Council embrace four individual sets of accounts:

Capital Programme
General Fund
Housing Revenue Account
Collection Fund – Council Tax / Business Rates

In order to compile these accounts earlier it will be necessary to:

- a) Start the accounts preparation process earlier in the year. Finance staff will need to be deployed on the accounts prior to the year end during

February and March to do as much as possible of the accounts and working papers for the auditors in advance. This will necessarily restrict their availability for other projects during this period. Urgent essential key areas such as insurance claims will still be maintained, but monitoring reports will be reduced to verbal updates highlighting only major significant changes that Members should be made aware of. The accounts staff will be asked to refrain from taking significant amounts of annual leave during this important period.

- b) A different approach will need to be made including the use of a lot more estimates in preparing the annual statutory accounts. In the past we have been able to keep the ledger open for a substantial time after 31 March to wait for suppliers invoices to be received. Unfortunately, although more accurate, there is simply not enough time to keep the financial ledger open. (We shall be aiming to produce draft accounts by 15 April). However most orders for goods and services are procured using the purchase order processing system and so as long as services receiving the goods and services deliver those goods before 31 March on our system, the system will automatically accrue for the expenditure. Nevertheless the accounting of some areas of the accounts will be based upon estimates.
- c) It will be essential that the whole organisation supports this activity or there is a risk of failure to produce the accounts without material errors to meet the new deadline.

3.0 **External Auditors Impact**

3.1 It will be important that we work with our auditors to use estimates satisfactorily in the accounts. They will still need to consider the concept of materiality and will qualify the accounts if there is material misstatement contained within them. It is very important therefore that we discuss with our auditors the areas of the accounts where estimates are to be used and how we can ensure that where estimates are used that they are reasonable.

3.2 Where estimates are used they will need to be compared to actual data and subsequently revised year on year if required. We need to ensure they are fit for purpose and reasonable.

3.3 Interim audit work will now become even more important. The auditors themselves will need to perform much more audit work, both in terms of the scope of the work and the amount of the work during the year. In order for us to meet this new remit we may need to modify some of our current accounting arrangements. This is another area where it is very important that we have a proactive dialogue with our auditors so each understands the requirements and time scales of the other going forward.

4.0 **Auditor's Report**

4.1 Members should expect a much longer report. There will be more instances of variation between estimates used and the actual amounts subsequently experienced with more minor variances reported. As long

as we produce the financial statements without **material** misstatement we will continue to receive a clean audit report and a clean bill of health. (A material amount for Mid Devon is approximately £850k). It is important that Members realise that professionally we are still trying to maintain high standards, with accurate numbers, but the accounts and audit report will reflect the increased use of estimates with which to meet the new deadlines. If something is not charged or received in year one it will simply be accounted for in year two. There is no question of a transaction being omitted.

5.0 **Benefits**

5.1 Members can expect to receive the outturn reports for the closing year much quicker. The earlier results can also be fed into the budgeting cycle for the following year with the budgeting process itself starting earlier in the year.

6.0 **Conclusion**

6.1 It can be seen that the new timetable will have impacts on the compilation of the financial statements, the audit of those statements and the subsequent reports that are produced. The NHS has had this modified approach for some years and we can look at them to gain a valuable insight. Members should not be alarmed at the changes and be prepared for a new era of reporting. Indeed Members will need to consider future audit reports in the context of the new tighter deadlines and the fact that these longer, more detailed reports with apparently more errors will be the new norm for all Councils.

Contact for more Information: Andrew Jarrett 01884 234242

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

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AUDIT COMMITTEE 15 MARCH 2016

CODE OF CORPORATE GOVERNANCE REPORT

Cabinet Member Cllr Clive Eginton, Leader
Responsible Officer Amy Tregellas, Head of Communities & Governance

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

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

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

Financial Implications: None arising from this report

Legal Implications: None arising from this report

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

1.0 Introduction

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

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

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

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

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

Circulation of the Report: Cllrs Clive Eginton and Management Team

1.0 What we mean by Governance

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

2.0 Core Principles of Good Governance

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

3.0 Applying the Core Principles of Good Governance

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

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

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

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

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

Code of Corporate Governance

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

Code of Corporate Governance

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

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

Code of Corporate Governance

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

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

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

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

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

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

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

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

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

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

Code of Corporate Governance

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

AUDIT COMMITTEE 15 MARCH 2016

RISK AND OPPORTUNITY MANAGEMENT STRATEGY

Cabinet Member Cllr Peter Hare-Scott, Cabinet Member for Finance
Responsible Officer Amy Tregellas, Head of Communities & Governance

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

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

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

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

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

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

1.0 Introduction

- 1.1 The Risk Management Strategy was last updated and approved by the Audit Committee In March 2015.
- 1.2 The purpose of this report is to update the Council's Risk Management Strategy (attached as Appendix A) for the 2016/17 financial year.
- 1.3 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.
- 1.4 For ease of reference the changes to the document have been tracked.

2.0 Conclusion

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

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

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

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

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

Risk & Opportunity Management Strategy 2016/17

1.0 BACKGROUND

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

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

ALARM

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

Audit Commission

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

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

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

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

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

2.0 PURPOSE, AIMS AND OBJECTIVES

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

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

Risk & Opportunity Management Strategy 2016/17

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

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

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

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

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

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

Risk & Opportunity Management Strategy 2016/17

3.0 ROLES AND RESPONSIBILITIES

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

Risk & Opportunity Management Strategy 2016/17

- Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
 - Ensuring that all risks are on the corporate risk register (the Key Business Risks will be held on SPAR and other service risk assessments held on the corporate health and safety drive)
 - Regularly reviewing risks associated with their service area(s) ensuring that the agreed actions and deadlines have been met
 - Ensuring that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

- 3.9 The **Head of Communities and Governance** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers. The Head of Communities and Governance will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement. The Head of Communities and Governance will also chair the Council's Health & Safety Committee to ensure that any risks arising from the work of this group will be incorporated into the Corporate Risk Register.

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

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

- 4.0 STRATEGIC, OPERATIONAL AND PROJECT RISKS**

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

- 4.2 **Strategic Risks**

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

Risk & Opportunity Management Strategy 2016/17

4.2.2 The major categories of strategic risk are:

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

4.3 Operational Risks

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

- ❑ **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- ❑ **Financial** – associated with financial planning and control and the adequacy of insurance cover.
- ❑ **Legal** – related to possible breaches of legislation.
- ❑ **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- ❑ **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).

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- ❑ **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- ❑ **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

4.4 Project Risks

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

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

4.5 Opportunities

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

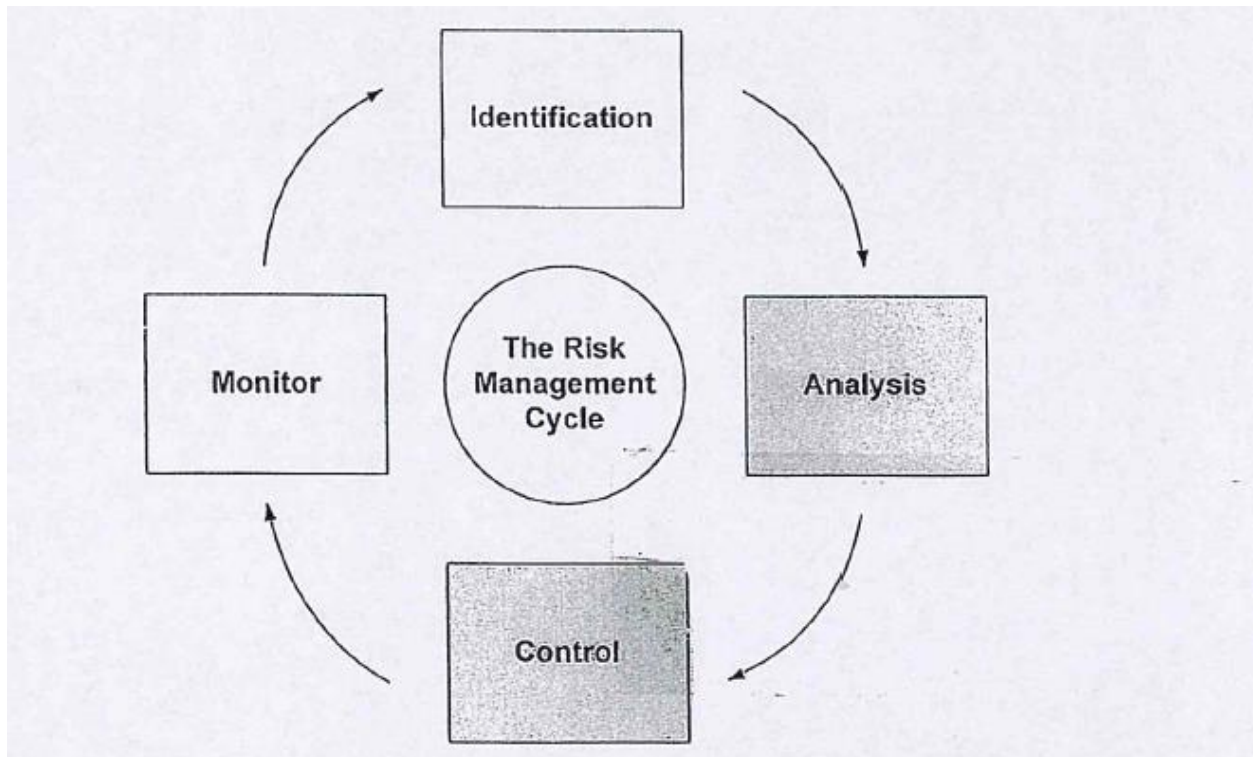
- ❑ Spend to save projects where the Council will benefit from reduced expenditure or increased income in the future
- ❑ Transformational change which will generate cost savings or an income stream
- ❑ Opportunities for great partnership working with our stakeholders or other local authorities
- ❑ Opportunities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

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

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5.0 RISK MANAGEMENT PROCESS

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



Step 1 – Identify Risks and Opportunities

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

Step 2 – Analysing Risks and Opportunities

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

Risk

Impact/Severity

The impact of the threat being realised is defined as:

	Score		Definition
Very Low	1	No impact	No notable impact identifiable
Low	2	Minor	Affects only one group of stakeholders, with minimum impact.

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

Risk

Likelihood

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

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

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			years
High	4	Almost certain	The risk is likely to occur this year
Very High	5	Certain	The risk has occurred and will continue to do so without action being taken

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

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

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

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

Benefits of Opportunities

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

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

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Step 3 – Control the Risks

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

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

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

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

Step 4 – Monitor and Report Progress

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

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

6.0 RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

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

AUDIT COMMITTEE 15 MARCH 2016

PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

Cabinet Member Cllr Clive Eginton, Leader
Responsible Officer Amy Tregellas, Head of Communities & Governance

Reason for Report: To provide the Committee with an update on progress made against the 2014/15 Annual Governance Statement Action Plan.

RECOMMENDATION(S): The Committee note the progress update

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

Financial Implications: None arising from this report.

Legal Implications: None arising from this report.

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

1.0 Introduction







- 1.1 The purpose of this report is to provide Members of the Committee with an update on the progress that has been made against the actions in the Annual Governance Statement action plan since the last Audit Committee report in January 2016.
- 1.2 The action plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 Any outstanding recommendations will be incorporated into the Annual Governance Statement for the 2015/16 financial year, which will be presented in draft to the Committee at their meeting on 28 June 2016.




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






Circulation of the Report: Management Team and Cllr Clive Eginton




List of Background Papers: None

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	Action	Target Date / Responsible Officer	Progress Update	Status
Corporate and Business Planning				
1	Review the Corporate Plan to achieve the “Golden Thread” by building in strategic objectives that reflect our statutory duties as well as social duties and aspirations	End November 2015 Head of Communities and Governance	The Corporate Plan has been reviewed and drafted for 2016-2020. The draft Corporate Plan is currently out for public consultation and will be going back to the Cabinet on the 11 th February 2016 and on to Council on the 24 th February 2016	
2	Include organisational “values” and Cabinet Member “pledges” in the next update of the Corporate Plan	End November 2015 Head of Communities and Governance	Liaison with the Cabinet has taken place during the process to ensure that their ‘pledges’ have been included.	
3	Develop a Council mission statement to provide direction for staff	End November 2015 Management Team	A Council vision has been included in the plan and this is now out for consultation	
4	Include a communication strategy (internal and external) of the Corporate Plan in its next revision including a diagram depicting the reporting structure against the Corporate objectives. This will include the approach to internal communications i.e. visiting team meetings to get input and workshops at Senior Officers Forum	End June 2015 Head of Communities and Governance	Completed and this plan has been followed for the internal and external public consultation which is ongoing until the 29 th January	
5	As part of the work on the Corporate Plan complete a risk assessment on the corporate priorities and objectives	End January 2016 Head of Communities and Governance	In progress and due to be completed by the end January 2016.	
Performance and Risk Management				
6	Following the implementation of the new Corporate Plan and for the Service Business Plans for 2016/17 ensure that there is an up to date risk assessment completed	End March 2016 Head of Communities and Governance	Business plans to be drafted by Service Managers based on the Corporate Plan and they are to be presented to Management Team by the end of March	

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

7	Complete the final section of the Emergency Plan – the recovery section	End March 2016 Community Safety and Emergency Planning Officer		Date not yet due
Constitution and Members				
8	Complete the work on the revised Constitution and then present it to the Standards Committee and Full Council for approval	End September 2015 Monitoring Officer	Completed - The Constitution was approved by Council on 24 th February 2016	
9	As part of the work of the Constitution working group produce job descriptions for Councillors i.e. a general job description for councillors and specific job descriptions for Cabinet Members and Committee Chairmen	Completed subject to approval of the Constitution Monitoring Officer	Completed	
10	Following approval by Full Council communicate key changes in Constitution to Officers and Members including training sessions for those officers who require a specialist knowledge	By end March 2016 Monitoring Officer	The Constitution was approved by Council on the 24 th February and this will now be communicated to all relevant staff.	Date not yet due
11	Review and update the complaints process for complaints about Councillors and present to the Standards Committee for approval	End September 2015 Monitoring Officer	Completed - The Constitution was approved by Council on 24 th February 2016	
Staff				
12	Complete a staff survey	End October 2015 Head of HR and Development	The staff survey was completed in September. Following on from this feedback sessions have been held for staff to attend and all Heads of Service have been asked to share the results with their staff. An action plan is currently being worked on by HR and Unison.	
13	Review and update the Officers Code of Conduct as part of the review of the Constitution	Completed subject to approval of the Constitution Monitoring Officer	Completed	

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

AUDIT COMMITTEE 15 MARCH 2016

INTERNAL AUDIT PROGRESS REPORT

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

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.

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 29 February 2016.

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 either cover the Council's key financial controls or the level of income is material in the context of the Council's annual accounts. These audits are allocated a larger number of days, as part of the risk based audit planning process, so they are carried out annually. Trade Waste and Car Park Income are carried out biennially for the same reason.

2.2.2 As at the end of February 9 Core audits for 2015/16 have been completed; Payroll, Housing Rents, Ctax/NNDR & Recovery, Creditors, Treasury Management, Income & Cash Collection, Housing Benefits, ICT Core and Trade Waste, the opinions for the last 2 of these are included in section 3 below.

2.2.3 The last Core Audit; Main Accounting is partly done but will be reported on at the Audit Committee on 31 May 2016 because work on the Closedown and Deeds will be done on the current year's closedown live in March.

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, Gifts & Hospitality, Freedom of Information and Appraisals & Training, the opinions for the last 2 of these are included in section 3 below.

2.3.2 Corporate Health & Safety and Private Sector Housing have been started and will also be reported at the Audit Committee on 31 May 2016.

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. The 2 Auditors will be reporting to 2 of the PDGs in March 2016 (which is part of their development plan).

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 3 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 attended a 4 day Institute of Internal Auditors (IIA) course on Information Systems Auditing.

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

2.5 Performance Indicators

2.5.1 As at the end of February 2016 the Internal Audit PIs are as follows:

	Current	Target
Core	95%	100%
System	65%	67%

2.5.2 Nine post-audit surveys were sent out, 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 ICT Core

3.1.1 The ICT service continues to provide a robust and steady platform for the various IT applications to operate on with system availability good.

3.1.2 However the “movers” process remains a weakness in the systems of internal check and control that needs to be addressed by the Service. The policy reviews need to be kept up to date as has been recommended in the past especially as technology and security risks both change so quickly.

3.1.3 It is the overall opinion of the auditor that the core ICT systems are well controlled.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.2 Trade Waste

3.2.1 Some of the weaknesses within the Trade Waste system identified in the last audit have been addressed since the data has been migrated on to the CRM system; this is a system that was developed by the Council’s ICT department in conjunction with the Trade Waste service and ensures that we have in-house support for the software.

3.2.2 One of the major improvements this has delivered is that invoice details are interfaced from CRM into the Council’s financial information system (e-Financials) automatically as part of the daily file load routines. This not only ensures that there is a minimal amount of manual intervention required to print the invoices from the e-Financials system, it also means that ownership and management of these details now lies with the Trade Waste Service, and has removed the necessity to maintain the same information in 2 different systems.

3.2.3 However some improvements were allocated to phase 2 of the project which has been delayed due to systems for the new garden waste scheme being prioritised.

3.2.4 The web-page for Trade Waste on the MDDC website has been updated to reflect and address the recommendations from the previous audit e.g. not quoting prices for commercial reasons.

3.2.5 One of the areas of weakness identified however is the lack of monitoring of the return of Waste Transfer Notices (WTN). This would be greatly improved

if customers were encouraged to use the alternative new on-line edoc service available through the Gov.uk website.

- 3.2.6 To create greater efficiency, correspondence should be scanned and saved to the Council's Document Management System (DMS) to ensure all relevant information relating to customers is easily obtainable. The potential problem with this is that enquiries on the Trade Waste system seem to be exceedingly slow. This is partly why currently, any documentation relating to customers or their services is kept in paper files.
- 3.2.7 There is still a lack of formal processes and procedure notes on the operation of the Trade Waste system.
- 3.2.8 It is the overall opinion of the auditor that the Trade Waste system is adequately controlled.

Summary of Recommendations		
High	Medium	Low
1	9	0

3.3 Freedom of Information

- 3.3.1 The Information Management Assistant (IMA) (1FTE) is responsible for logging FOI requests, assigning them to the relevant Officers and monitoring the progress of the request once it's been assigned. The IMA's reporting line is to the Head of BIS, however the IMA's day to day operational duties are overseen by one of the Customer First Team Leaders.
- 3.3.2 All of the requests in the sample tested were logged and acknowledged promptly on the CRM; in most cases within 1 working day. However, due to the CRM system's reporting and monitoring limitations, the IMA then has to manually transfer details of calls onto a spreadsheet which is a duplication of effort and increases the risk of error. This is currently the best solution to monitor the calls effectively.
- 3.3.3 There are numerous system functions which, if they could be automated, would improve and enhance the FOI process making it more efficient. It is appreciated that this will be a complex project and although there would be a significant amount of work involved in the system specification, it would ensure that in the long term manual intervention would be reduced, as would officer's time.
- 3.3.4 Evidence from testing also revealed that the MDDC website needs to be updated in order to comply with various government guidelines, including the Secretary of State's Code of Practice (datasets) issued under section 45 of the FOIA, which is in respect of the publication of dataset information, and the Local Government Transparency Code 2014.
- 3.3.5 If the system of monitoring can be improved, then frequently requested data could be published on an agreed timetable e.g. quarterly, along with the datasets that are already currently required to ensure that the government's transparency and FOI agenda is met.

3.3.6 It is the overall opinion of the auditor that the administration of the FOI process is adequately controlled, although the process for publishing dataset information needs to be improved.

Summary of Recommendations		
High	Medium	Low
0	5	0

3.4 Appraisals & Training

3.4.1 The area of Learning and Development (L&D) provides a valuable service to all Council employees by offering a wide range of opportunities for training.

There is a budget set for training and the Learning & Development Team monitor this carefully to ensure that the overall budget is not exceeded.

The L&D team also look at appraisals and training plans that are submitted and keep a record of any relevant training outlined on the training plans. These can be cross referenced when a request for training budget is submitted.

3.4.2 However, there are a number of concerns that need to be addressed:

The actual spend of the training budget seems to be done as the total across the budgets for Development, CPD, Post Entry and Health and Safety. The danger with this is that when the budget is allocated there may not be money left for mandatory training such as CPD and Health and Safety, these are a priority and it would seem prudent for managers to be monitoring and allocating spend within their own departments for CPD and the Health and Safety Officer to be managing the Health and Safety training budget in line with his role to ensure essential training is undertaken.

3.4.3 With the above in mind, L&D have been able to offer a wide range of courses, striking a balance between job specific training and wellbeing courses such as coaching and mindfulness etc. The actual budget for development training in the general fund (2015/16) is £8,100.00, for 464 employees this equates to £17.50 per head. A small budget limits the amount of training that can be provided and important decisions need to be made as to which courses are going to be offered or alternatively whether the budget needs to be increased to accommodate training needs. It would seem prudent to have training plans in place prior to budget setting to be able to make informed decisions about the way forward.

3.4.4 L&D don't currently have any procedure notes available for their processes.

3.4.5 L&D hold a complex spreadsheet to monitor all training spend and allocation of spend between service areas whilst also monitoring the level of spend against budget. The problem with this is that service managers are unable to monitor their spending throughout the year and there is a time consuming end of year process for the Accountant who has to calculate recharges. Both these processes could be streamlined by utilising eFinancials more effectively.

3.4.6 It is the overall opinion of the auditor that the Appraisals and Training system is poorly controlled at present.

Summary of Recommendations		
High	Medium	Low
1	12	3

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 35 recommendations have been added to SPAR. 14% of all recommendations are overdue compared with 15% at the end of December 2015.
- 4.3 Where there are insurmountable issues making achieving targets impossible then managers needed to bring these issues to the attention of the Chief Executive.
- 4.4 High Priority deadlines may only be extended with the Audit Committee's agreement. 2 have been made since the last meeting and none became overdue so there are no overdue high priority recommendations again this time and therefore no Appendix 2.
- 4.5 As reported previously the Internal Audit Work Plan is a little behind target target. The delayed lower risk System audits are Voids, Cemeteries and electronic payments.
- 4.6 The delayed audits will be picked up in 2016/17. The Internal Audit Work Plan for 2016/17 is a separate item on this agenda.

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

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

List of Background Papers: None

Incomplete Audits	Year	Recommendations									Total		
		High			Medium			Low			C	N	O
		C	N	O	C	N	O	C	N	O			
Appraisals & Training	2015		1		12			3			0	16	0
Car Park Income	2014	1			6		1				7	0	1
Contracts	2014		1					2		1	2	1	1
Contracts	2014				4	4					4	4	0
Contracts	2015					2					0	2	0
Creditors	2015				1	3					1	3	0
Customer Care - Complaints	2013				4		1	4			8	0	1
Data Protection	2014	3			2	1	1				5	1	1
Emergency Planning	2015				1		1			3	1	0	4
FOI	2015		1			3					0	4	0
Gifts & Hospitality	2015						3			1	0	0	4
Grants & donations	2015		1								0	1	0
Homelessness	2013						1	2			2	0	1
Housing Benefits	2014				1		1				1	0	1
Housing H & S Management	2014	2				2		3			5	2	0
Housing Rents	2015				1	4					1	4	0
Housing Repairs & Maintenance	2014				2	1	1	2			4	1	1
ICT Core	2014	1			3	1	1			3	4	1	4
ICT Core	2015				2	2					2	2	0
Income & Cash Collection	2015				1	3					1	3	0
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						2	0	0
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	2015		1		1	8					1	9	0
Treasury Management	2015					1					0	1	0
Vehicles & Fuel	2015	5			4	2	1				9	2	1
		12	7	0	71	63	22	22	7	8	105	77	30

CORE
SYSTEM

C = Completed 50%
N = Not yet due 36%
O = Overdue 14%

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AUDIT COMMITTEE 15 MARCH 2016

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

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

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 The roll out for the **chargeable garden waste** scheme commenced on 1 September 2015 but was not completed until the end of quarter 3. So far 6,097 bin permits have been sold; the uptake is expected to increase in the Spring because garden waste is seasonal.

Decent and affordable Homes Portfolio - Appendix 2

- 2.2 The **Ratio between planned and responsive repairs** – starts to make more sense by quarter 3 and is only just below target.
- 2.3 **Decent Council Homes** - We currently only have 14 properties that are non-decent with access, works are scheduled to ensure these are addressed before year end.
- 2.4 For **Gas safety** – there were 2 properties with expired certificates, as at the end of January there is only 1 remaining.

Community Well Being Portfolio - Appendix 3

- 2.5 The number of **empty shops** in all 3 towns is above target, only the number in Tiverton is higher than the previous year-end.
- 2.6 The **% of food premises** inspected is much improved from last year but still below target.
- 2.7 The “Scores on the Doors” for the year is included as Appendix 8 92% of premises are broadly compliant.

Planning and Regeneration Portfolio - Appendix 4

- 2.8 As previously, the performance for quarter 3 of 2015/16 shows that in the majority of instances targets are being met or exceeded. However **building regulations applications** remain below target for the third quarter running.
- 2.9 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. Planning performance continues to be closely monitored.
- 2.10 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

- 2.11 The **sickness** figures continue to be monitored closely but have been favourable against target for all 3 quarters to date this year.
- 2.12 The figures for **complaints** still cannot be relied upon unfortunately although they are reported as being below target this cannot be verified at present. Work to correct this has been delayed due to staff absence and pressure on IT due to other project work.

Finance Portfolio - Appendix 6

2.13 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 and targets reset as necessary for 2016/17.

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	2	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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MTE PDG Performance Report - Appendix 1

Quarterly report for 2015-2016

No headings

For Environment - Cllr Neal Davey Portfolio

For MDDC - Services

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

Key to Performance Status:

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

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
No Target	<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>	n/a	No target - for information only.	No target - for information only.	2	4	12	
<u>Management Notes:</u>								
Above target	<u>Residual household waste per head (measured in Kilograms)</u>	462.6	455.00	341.25 (3/4)	117.44	225.63	329.42	
<u>Management Notes:</u> (Quarter 1 - 3) This is reducing hopefully due to introduction of new scheme (SK)								
Below target	<u>% of Household Waste Reuse, Recycled and Composted</u>	48.2%	52.0%	52.0% (3/4)	50.2%	52.2%	50.9%	
<u>Management Notes:</u> (Quarter 3) Recycling Rate for the year is up compared to previous years rate of 48.2%. The new scheme has been rolled out during Q3 to all HHS so should see Q4 performance rise as more is recycled. (SK)								
Well above target	<u>Number of Households on Chargeable Garden Waste</u>	n/a	15%	11% (3/4)	0%	0%	18%	
<u>Management Notes:</u> (Quarter 3) 6,097 bin permits sold. (SK)								
Well above target	<u>% of missed collections reported per Quarter (refuse and organic waste)</u>	0.10%	0.03%	0.03% (3/4)	0.02%	0.02%	0.02%	
<u>Management Notes:</u>								
Well below target	<u>% of Missed Collections logged per Quarter (recycling)</u>	0.13%	0.03%	0.03% (3/4)	0.05%	0.08%	0.13%	
<u>Management Notes:</u> (Quarter 3) This is below target due to the reschedule of rounds to match waste rounds following phase 2 roll out of new scheme. Drivers notes have not been correct due to IT issues. Some missed are due to residents not reading new calendars which has changed weeks of collection.								

MTE PDG Performance Report - Appendix 1

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
High level of agency staff used during roll out has also reduced route knowledge. PI expected to improve again in Q4								
(SK)								
Well above target	<u>Number of Missed Collections reported per Quarter (refuse and organic waste)</u>	1,797	540	405 (3/4)	99	203	354	
<u>Management Notes:</u>								
Well below target	<u>Number of Missed Collections reported per Quarter (Recycling)</u>	1,162	270	203 (3/4)	126	380	895	
<u>Management Notes:</u> (Quarter 3)								
This is below target due to the reschedule of rounds to match waste rounds following phase 2 roll out of new scheme. Drivers notes have not been correct due to IT issues. Some missed are due to residents not reading new calendars which has changed weeks of collection. High level of agency staff used during roll out has also reduced route knowledge. PI expected to improve again in Q4								
(SK)								

Printed by: Catherine Yandle

SPAR.net

Print Date: 16 February 2016 12:14

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	<u>Deliver 15 homes per year by bringing Empty Houses into use</u>	12	15	11 (3/4)	1	4	5	
Management Notes: (Quarter 3)								
<p>This property was originally vacated due to Housing Conditions and required substantial works triggered by the Conservation Team and PSH in 2013/14. projected out turn for this year end is estimated as achieving no more than 8 returned empties</p> <p>The structural changes in 2014 removed the PSH resource to proactively deal with Empty Homes. The new Public Health Service together with the Cabinet Member for Housing has sought to correct that. An Empty Homes Officer will be available 2 days per week from March 2016 as we have secured a partnership arrangement with Exeter CC. This will also link in with initiatives focussed on Town Centre Regeneration as the role progresses</p>								
(HS)								
Well below target	<u>Number of affordable homes delivered (gross)</u>	58	80	60 (3/4)	0	14	19	
Management Notes: (Quarter 1 - 3)								
<p>In Q3 we completed on 5 affordable homes, three were Shared Ownership and two were affordable rent within the Urban area.</p> <p>Therefore the total to date for the year is 19 homes. 3 are Shared Ownership, 16 are affordable rented. All in the Urban area.</p>								
(NC)								
On target	<u>% Emergency Repairs Completed on Time</u>	100.00%	100.00%	100.00% (9/12)	100.00%	100.00%	100.00%	
Management Notes:								
On target	<u>% Urgent Repairs Completed on Time</u>	99.94%	100.00%	100.00% (9/12)	100.00%	100.00%	100.00%	
Management Notes:								
Below target	<u>% Routine Repairs Completed on Time</u>	99.98%	100.00%	100.00% (9/12)	100.00%	99.95%	99.97%	
Management Notes:								
Below target	<u>% Repairs Completed at First Visit</u>	99.87%	100.00%	100.00% (9/12)	98.28%	98.30%	98.11%	
Management Notes:								
Below target	<u>Ratio of expenditure between planned and responsive repairs</u>	81.19	70.30	70.30 (3/4)	29.71	55.45	69.31	
Management Notes:								

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
Below target	<u>Rent Collected as a Proportion of Rent Owed</u>	100.09%	100.75%	100.54% (9/12)	96.96%	99.13%	99.72%	
Management Notes:								
Well above target	<u>Rent Arrears as a Proportion of Annual Rent Debit</u>	0.60%	1.00%	1.00% (9/12)	0.94%	1.05%	0.81%	
Management Notes:								
Below target	<u>% Decent Council Homes</u>	100.00%	100.00%	100.00% (9/12)	99.38%	99.28%	99.45%	
Management Notes:								
Below target	<u>% Properties With a Valid Gas Safety Certificate</u>	99.86%	100.00%	100.00% (9/12)	99.72%	99.95%	99.91%	
Management Notes:								
Below target	<u>Average Days to Re-Let Local Authority Housing</u>	14.9days	17.0days	17.0days (9/12)	16.3days	15.8days	17.9days	
Management Notes:								
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%	0.68%	
Management Notes:								

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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 (3/4)	17	16	16	
Management Notes: (Quarter 3)								
16 empty shops out of 248 shops = 6.45% of shops in Tiverton were empty at the time of the survey in January 2016								
(JB)								
Well above target	<u>The number of Empty Shops. (CREDITON)</u>	10	10	10 (3/4)	9	5	7	
Management Notes: (Quarter 3)								
7 empty shops out of 118 shops = 5.93% of shops in Crediton were empty at the time of the survey in January 2016								
(JB)								
Well above target	<u>The number of Empty Shops (CULLOMPTON)</u>	11	14	14 (3/4)	12	7	8	
Management Notes: (Quarter 3)								
8 empty shops out of 93 shops = 8.60% of shops in Cullompton were empty at the time of the survey in January 2016								
(JB)								
Well below target	<u>Percentage of food premises inspections that should have been carried out that were carried out for A & B (High Risk) premises</u>	46%	100%	100% (3/4)			75%	
Management Notes:								
Below target	<u>The percentage of Leisure's operational expenditure recovered through customer receipts</u>	88.16%	88.50%	88.50% (3/4)	79.19%	83.76%	84.36%	
Management Notes:								
Below target	<u>% of Leisure members retained from month beginning to month end.</u>	95.33%	96.50%	96.50% (3/4)	96.87%	95.46%	95.65%	
Management Notes:								
Above	<u>Issue of TENS within 3</u>	n/a	97%	97% (3/4)	94%	97%	98%	

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
target	<u>working days</u>							
<u>Management Notes:</u>								

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REPORT OF THE HEAD OF PLANNING AND REGENERATION

PLANNING PERFORMANCE QUARTER 3 2015/16

RECOMMENDATION:

For information and discussion.

REASON FOR REPORT:

To provide the Committee with information on the performance of Planning Services for quarter 3 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 (56%), but the target is to be increased to 50%. 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 (5%).

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 three from 1st October – 31st December 2015 together with a comparison with the target and figures from the earlier quarters in this financial year.

Performance data is published quarterly on the Council's website at <https://new.middevon.gov.uk/planning/performance-standards/>

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	Qu3 2015/16
Major applications determined within 13 weeks	60%	57%	50%	75%
Minor applications determined within 8 weeks	65%	68%	73%	74%
Other applications determined within 8 weeks	80%	91%	85%	75%

Householder applications determined in 8 weeks	85%	92%	97%	95%
Listed Building Consents determined in 8 weeks	80%	70%	67%	85%
Enforcement site visits undertaken within 15 days of complaint receipt	87%	100%	94%	89%
Delegated decisions	90%	94%	93%	94%
Applications over 13 weeks old without a decision	Less than 45 applications	25	26	36
Major applications determined within 13 weeks (over last 2 years)	More than 40%	51%	58%	56%
Determine all applications within 26 weeks or with an extension of time (per annum –Government planning guarantee)	100%	97%	96%	94%
Building Regulations Applications examined within 3 weeks	95%	70%	70%	76%
Building Regulation Full Plan applications determined in 2 months	95%	99%	98%	97%

In addition during this quarter activity within the enforcement part of the Planning Service included and can be compared against that of earlier quarters:

Enforcement 2015/16	Qu 1	Qu 2	Qu 3
Number of new enforcement cases registered	14	71	54
Number of enforcement cases closed	47	53	39
Number of committee authorisations sought	3	2	1
Number of planning contravention notices served	Data available from Qu 2	9	5
Number of breach of condition notices served	0	1	0
Number of enforcement notices served	2	1	0

The performance for quarter 3 of 2015/16 shows that in the majority of instances targets are being met or exceeded. Listed Building Consent performance during this quarter has improved, with the 80% target for applications determined within 8 weeks being exceeded. The major application target of 60% determined within 13 weeks was also exceeded within this quarter (75%), but will need to be monitored closely in the final quarter of this financial year as the two earlier quarters missed this target. However there remain some areas of concern identified in the performance figures:

The 'other' type application performance target of more than 80% of decisions within 8 weeks was missed

Planning Service staffing continues to still not be at full strength due to the maternity leave of several senior staff. 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.

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
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Working Environment Portfolio Performance - Appendix 5

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
No Target	<u>Number of phone calls to CF per month</u>	12,670	For Information Only	For Information Only	11,192	11,420	12,483	
Management Notes:								
Above target	<u>Satisfaction with front-line services</u>	81.75%	80.00%	80.00% (2/4)	80.00%	81.50%		
Management Notes: (Quarter 3) staff training on running stats and reports to be provided in March, all stats will be brought up to date by year end. (LR)								
Well below target	<u>% complaints acknowledged w/in 3 days</u>	46%	80%	80% (3/4)	39%	50%	58%	
Management Notes:								
Below target	<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	97%	90%	90% (3/4)	83%	87%	87%	
Management Notes:								
Above target	<u>% Emails received by Customer Services responded to within 5 days</u>	98.0%	95.00%	95.00% (3/4)	99.00%	98.50%	98.67%	
Management Notes:								
Not calculable	<u>Number of Complaints</u>	74	For information only	For information only	61	39	87	
Management Notes:								
Not calculable	<u>Number of Digital payments</u>	8,989	For information only	For information only	11,886	12,563		
Management Notes: (Quarter 3) staff training is needed to run stats reports. this will provided in March and all stats brought up to date by year end (LR)								
No Target	<u>Number of web hits per month</u>	n/a	For information only	For information only	0	0	0	
Management Notes:								
On target	<u>% electoral registration forms returned during</u>	0%	90%	90% (3/4)	0%	0%	98%	0%

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
	<u>annual canvass of electors</u>							
Management Notes:								
On target	<u>% Electoral Commission Registration Performance Standards</u>	0%	90%	90% (3/4)	0%	0%	100%	0%
Management Notes:								
Below target	<u>Response to FOI Requests (within 20 working days)</u>	95%	100%	100% (2/4)	70%	90%		
Management Notes: (Quarter 3) staff training is needed to run reports. this will provided in March and all stats brought up to date by year end (LR)								
Above target	<u>Working Days Lost Due to Sickness Absence</u>	9.21days	8.00days	6.00days (3/4)	1.64days	3.68days	5.71days	
Management Notes:								

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
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Finance Portfolio Performance - Appendix 6

Performance Indicators								
Status	Title	Prev Year End	Annual Target	Current Target	Q1 Act	Q2 Act	Q3 Act	Q4 Act
Below target	<u>% total Council tax collected - monthly</u>	97.80%	98.0%	94.0% (10/12)	29.4%	56.7%	83.4%	
Management Notes:								
Below target	<u>% total NNDR collected - monthly</u>	99.00%	98.00%	96.00% (10/12)	31.10%	55.80%	80.59%	
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)								
Well above target	<u>Time taken to process Housing Benefit/Council Tax Benefit new claims and change events</u>	8days	14days	14days (3/4)	14days	13days	12days	
Management Notes:								

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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: No Data	Current Risk Severity: 5 - Very High	Current Risk Likelihood: 1 - Very Low
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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
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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: 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: Eastern Urban Extension Tiverton If progress on a masterplan is delayed, the Council becomes vulnerable to speculative planning applications being submitted which do not accord with adopted policies. This could lead to unsustainable development which would not meet policy requirements for essential infrastructure.

Effects (Impact/Severity): Delay will reduce confidence in the deliverability of the urban extension in a comprehensive and coordinated manner, thereby increasing the likelihood of planning applications being submitted for disparate areas of land without the necessary infrastructure provision or without a means of ensuring that infrastructure can be provided at the right time and in the right place. Additionally, individual applications increase the risk of proposals prejudicing the delivery of other areas of land within the allocation.

Causes (Likelihood):

Service: Development Management

Current Status: No
Data

Current Risk Severity: 5 - Very
High

Current Risk Likelihood: 3 -
Medium

Head of Service: None

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: No Data

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: St Andrew Street A staircase in the new development does not meet current building regulations due to conservation requirements.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

**Current Status: High
(15)**

**Current Risk Severity: 5 - Very
High**

**Current Risk Likelihood: 3 -
Medium**

Head of Service: None

Review Note: Can we make sure that tenants allocated do not increase the potential risk?

Risk: Vehicles, Transport, Driving Risk of collisions with other moving or stationary vehicles, cycles and/or pedestrians.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Environmental Enforcement

**Current Status: No
Data**

**Current Risk Severity: 5 - Very
High**

**Current Risk Likelihood: 1 -
Very Low**

Head of Service: None

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)**

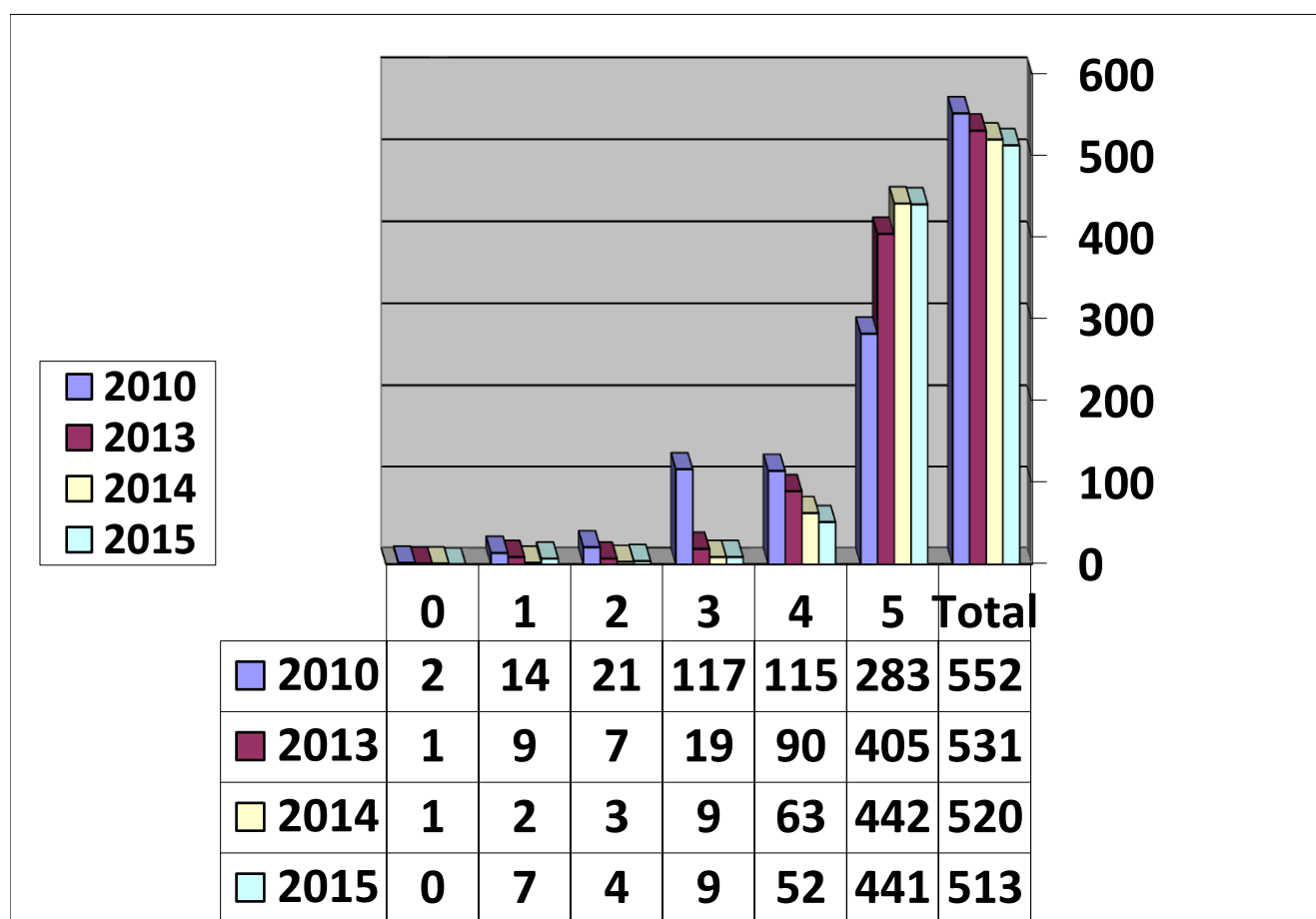
**Current Risk Severity: 5 - Very
High**

**Current Risk Likelihood: 2 -
Low**

Head of Service: Andrew Jarrett

Review Note:

Food Hygiene Rating Scheme 2010-2015



FOOD HYGIENE RATING SCHEME BANDINGS

- 0 Urgent improvement necessary
- 1 Major improvement necessary
- 2 Improvement necessary
- 3 Generally satisfactory
- 4 Good
- 5 Very good

* The national food hygiene rating scheme was launched in 2010

BROADLY COMPLIANT PREMISES

92% of all food premises are broadly compliant premises (a premises scoring < 10 for hygiene; structure or management), equivalent to a food hygiene rating of 3 and above. This includes food manufacturers and low risk food premises which does not come under the food hygiene ratings scheme.

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AUDIT COMMITTEE 15 MARCH 2016

STRATEGIC AUDIT PLAN FOR 2016/17

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

Reason for Report: To present the Strategic Audit Plan for 2016/17 to 2019/20 and the detailed Audit Work Plan for 2016/17.

RECOMMENDATION: The Committee approves the Audit Plans.

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

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

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

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

1.0 Introduction

- 1.1 The PSIAS require that the Audit Team Leader prepares a risk based strategic audit plan, which should take account of the adequacy and outcomes of the organisation's risk management, performance management and other assurance processes.
- 1.2 The draft plans were presented to this Committee for consideration at the meeting on 19 January; no changes were proposed at that meeting.
- 1.3 Subsequently, a minor change was proposed by management; to add an audit on Enforcement and Electronic forms/social media has been made annual. The amendments are reflected in the appendices to this report.

2.0 Recommendation

- 2.1 That the Committee approves the detailed Internal Audit Work Plan for 2016/17 which is attached at Appendix A and the four year Strategic Audit Plan 2016/17 to 2019/20 attached at Appendix B.

Contact for more Information: Catherine Yandle, Audit Team Leader
Circulation of the Report: Cabinet Member and Management Team

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Audit Code	Audit Area	Year Last Audited	Days 2016/17	Days 2017/18	Days 2018/19	Days 2019/20	TOTAL
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CORE FINANCIAL AUDITS (- Annual)

CORE 1	Council Tax and NNDR	2015/16	20	20	20	20	80
CORE 2	Income and Cash Collection	2015/16	15	15	15	15	60
CORE 3	Main Accounting System (including Deeds Testing)	2015/16	25	25	25	25	100
CORE 4	Housing Benefits	2015/16	20	20	20	20	80
CORE 5	Creditors	2015/16	15	15	15	15	60
CORE 6	Housing Rents (including rent arrears)	2015/16	20	20	20	20	80
CORE 7	Treasury and Cashflow Management	2015/16	5	5	5	5	20
CORE 8	Payroll	2015/16	15	15	15	15	60
CORE 9	Recovery	2015/16	15	15	15	15	60
CORE 10	Car Parking Income} alternate years	2014/15	15		15		30
CORE 10	Trade Waste }	2015/16		15		15	30
CORE 11	ICT Core Audit	2015/16	5	5	5	5	20
TOTAL CORE FINANCIAL AUDITS			170	170	170	170	630

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

HUR1	Time Recording System	2014/15			10		10
HUR2	Sickness and Other Time Off	2012/13	10				10
HUR3	Recruitment, Selection	2015/16				5	5
HUR4	Appraisals and Training	2015/16				10	10
HUR5	Travel and Subsistence (incl Pool cars)	2013/14		10			10
HUR6	Standby	2012/13	5				5
HUR7	JE	2015/16			10		10
Human Resources Total			15	10	20	15	60

Financial Services & Procurement (Andrew Jarrett)

FIN1	VAT(2-yearly)	2014/15	10		10		20
FIN 2	Insurance(2-yearly)	2015/16		10		10	20
FIN3	Leasing and asset management (Vehicles/Equipment/IT)	2014/15			10		10
FIN4	Procurement (2-yearly)	2015/16		20		20	40
FIN5	Contract Register & Contracts (2-yearly)	2014/15	20		20		40
Financial Services & Procurement Total			30	30	40	30	130

ICT (Christina Cross)

ICT1	Telephones - Fixed and Mobile	2014/15			5		5
ICT3	Computer Inventory - hardware and software	2012/13		10			10
ICT4	Data Protection & IS (2-yearly)	2014/15	10		10		20
ICT5	Freedom of Information	2015/16				10	10
ICT6	Gazateer Management - Street Naming & Numbering	2014/15				5	5
ICT7	Local Land Charges	2010/11	5				5
ICT Total			15	10	15	15	55

Planning (Jenny Clifford)

PLA1	Building Control (incl income and all other areas)	2012/13	10				10
PLA2	Development Control	2013/14		10			10
PLA3	Listed Buildings and Conservation Areas	2015/16				10	10
PLA4	Forward Planning	2013/14			10		10
PLA5	Enforcement		10				10
Planning Total			20	10	10	10	50

Public Health Services (Jill May)

PHS1	Environmental Health	2008/09	15				15
PHS3	Corporate Health & Safety incl Homeworking/Loneworking (2yrs)	2015/16		10		10	20
PHS4	Licensing Services	2012/13	10				10
PHS5	Private Sector Housing	2015/16				10	10
Public Health Services Total			25	10	0	20	55

Leisure (Jill May) one a year

LEI1	Exe Valley Leisure Centre (incl income and all other areas)	2012/13	15			15	30
LEI2	Culm Valley Sports Centre (incl income and all other areas)	2015/16			15		15
LEI3	Lords Meadow Leisure Centre (incl income and all other areas)	2014/15		15			15
Leisure Total			15	15	15	15	60

Legal & Democratic Services (Amy Tregellas)

L&D1	Members Allowances	2011/12	10				10
L&D2	Gifts & Hospitality/Register of Interests (annual)	2015/16	5	5	5	5	20
L&D3	Legal Services	2015/16			10		10
Legal & Democratic Total			15	5	15	5	40

Audit Code	Audit Area	Year Last Audited	Days 2016/17	Days 2017/18	Days 2018/19	Days 2019/20	TOTAL
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Street Scene (Andrew Jarett)

SSS1	Refuse & Recycling (2 yearly)	2015/16		20		20	40
SSS2	Vehicles & Fuel (including inventory & maintenance)	2015/16			20		20
SSS3	District Officers	2011/12	10				10
SSS4	Street Cleansing & Public Cleaning		5				5
Street Scene Total			15	20	20	20	75

Customer Services (Liz Reeves)

CSE1	Customer Care/Complaints	2012/13	10				10
CSE2	Electronic payments/online forms/social media		10	10	10	10	40
Customer Services Total			20	10	10	10	50

Housing & Property Services (Nick Sanderson)

HPS1	Care Services (Alarm Income)	2010/11	5				5
HPS2	Repairs and Maintenance	2014/15			20		20
HPS3	Stores	2015/16				10	10
HPS4	Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2014/15	10		10		20
HPS5	Emergency Planning (also Business Continuity Planning) (2yrs)	2015/16		10		10	20
HPS6	Cemeteries & Bereavement Services		5				5
HPS7	Grounds Maintenance (Parks & Open Spaces)	2013/14		10			10
HPS8	Voids Management Arrangements	2009/10	5				5
HPS9	Lettings	2011/12	5				5
HPS10	Housing Homeless Persons	2013/14		10			10
HPS11	Service Charges	2015/16				10	10
HPS12	Electoral Registration & Elections	2013/14		10			10
Housing & Property Services Total			30	40	30	30	130

Economic & Community Development (Amy Tregellas)

CDE1	Grants, subscriptions & donations	2015/16				10	10
CDE2	Community Engagement & Consultation		10				10
CDE3	Economic Regeneration	2014/15			10		10
CDE4	Markets	2014/15		10			10
Economic & Community Development Total			10	10	10	10	40

SYSTEMS AUDITS TOTAL

210	170	185	180	745
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ASSURANCE WORK

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

OTHER WORK

	Fraud/Irregularity/Consultancy/Contingency		76	116	101	106	398
Other Work Total			76	116	101	106	398

SUMMARY							
Available Audit Days			506	506	506	506	
Core Systems			170	170	170	170	
Systems Audits			210	170	185	180	
Assurance Work			50	50	50	50	
Other Work			76	116	101	106	
TOTAL			506	506	506	506	

INTERNAL AUDIT WORK PLAN FOR 2016/17 FINANCIAL YEAR

Audit/Task	Number of Days	Quarter 1 Apr to Jun	Quarter 2 Jul to Sept	Quarter 3 Oct to Dec	Quarter 4 Jan to Mar
Core Audits	170				
Council Tax/NNDR/Recovery	35		X	X	
Income and Cash Collection	15		X	X	
Main Accounting System incl deeds testing	25	X	X		
Housing Benefits	20		X	X	
Creditors	15		X	X	
Housing Rents	20		X	X	
Treasury & Cashflow Management	5		X	X	
Payroll	15		X	X	
Car Parking Income/Trade Waste	15		X	X	
ICT Core	5		X	X	
Systems Audits	210				
Data Protection & IS (2-yearly)	10	X			
Sickness and Other Time Off	10	X			
Standby	5	X			
Enforcement	10	X			
Local Land Charges	5	X			
Exe Valley Leisure Centre (incl income and all other areas)	15	X			
Cemeteries & Bereavement Services	5	X			
Voids	5	X			
Lettings	5	X			
District Officers	10	X			
Licensing Services	10		X		
Environmental Health	15			X	
Electronic payments/on-line forms	10			X	
Members Allowances	10				X
Gifts & Hospitality/Register of Interests (annual)	5				X
Building Control (incl income and all other areas)	10				X
Street Cleansing & Public Cleaning	5				X
Customer Care/Complaints	10				X
Care Services (Alarm Income)	5				X
Health & Safety Management Arrangements (2-yearly)	10				X
VAT(2-yearly)	10				X
Contract Register & Contracts (2-yearly)	20				X
Community Engagement & Consultation	10				X
Corporate Work	50				
Spar	30	X	X	X	X
DAP peer review	5				X
Data Quality Assurance Checks	15	X	X	X	X
Other Work	76				
Fraud/Irregularity/Consultancy/Contingency	76	X	X	X	X
Other Work	126	36	30	30	30
Audit Work	380	90	105	100	95
Completed /started	0				
Scheduled	390	90	105	100	95
Not scheduled yet	0				
	103%	24%	28%	26%	25%

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AUDIT COMMITTEE 15TH MARCH 2016

INTERNAL AUDIT CHARTER REPORT

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

Reason for Report: To present the Committee with the revised Internal Audit Charter Timetable.

RECOMMENDATION(S): The Committee notes the reasons for not revising the Internal Audit Charter at the present time.

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

Financial Implications: N/A

Legal Implications: N/A

Risk Assessment: N/A

1.0 Introduction

- 1.1 According to the MDDC Policy Framework the Internal Audit Charter was due for review at this meeting.
- 1.2 In July 2015 the International Professional Practice Framework (IPPF) was enhanced. There is an image of the new structure below in Appendix 1.
- 1.3 The definition, standards and code of ethics are unchanged. The main changes are:
 - The addition of a Mission statement
 - The addition of 10 mandatory Core Principles
 - Non-mandatory elements have been renamed and are no longer “strongly” recommended
- 1.4 The Internal Audit Standards Advisory Board (IASAB) proposes that the Relevant Internal Audit standards Setters (RIASS) adopt the two main additions to the IPPF, namely the Mission and Core Principles, subject to a consultation period during which practitioners and other interested parties may comment on whether there are any fundamental barriers to their assimilation.
- 1.5 The IASAB consultation does not close until 18 March 2016. The questions are reproduced at Appendix 1 for information.

1.6 Please note that the Public Sector Internal Audit standards (PSIAS) remain in force in the UK public sector until such time as the RIASS decide to amend them. This is unlikely to be before 1 April 2017.

2.0 Conclusion

2.1 The current Internal Audit Charter was prepared in accordance with the PSIAS in order to fully meet statutory requirements so will not be reviewed until March 2017 unless the date in section 1.7 is brought forward.

Contact for more Information: Catherine Yandle, Audit Team Leader

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

List of Background Papers: None

These are the consultation questions:

1. In your view, are there any fundamental reasons why the Mission of Internal Audit and the Core Principles for the Professional Practice of Internal Auditing should not be incorporated into the UK PSIAS?
2. In your view, are there any barriers to incorporating the Mission and Core Principles into the PSIAS effective from 1 April 2016?
3. In your view, would any transitional arrangements assist with the practical implementation of the new areas? (If so, please provide examples.)
4. Are there any areas of the new elements where you would appreciate more guidance? For example, the IASAB is already considering additional guidance on the term 'organisational value', as used in the Mission.)



International Professional
Practices Framework



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The Audit Plan for Mid Devon District Council

Year ending 31 March 2016

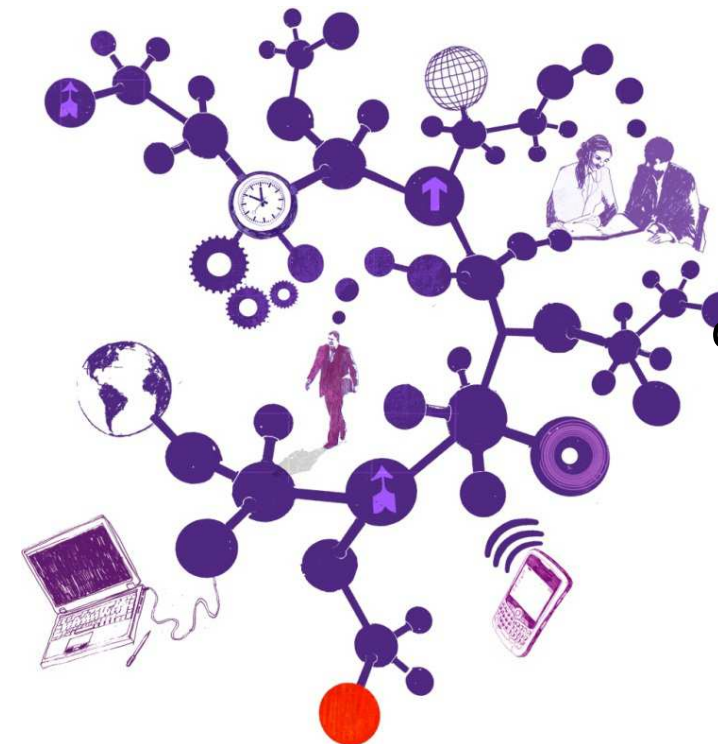
15 March 2016

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Geraldine Daly
Associate Director
T 0117 305 7741
E geri.n.daly@uk.gt.com

Steve Johnson
Audit Manager
T 0117 305 7868
E steve.p.johnson@uk.gt.com

Tori Redler
Executive
T 0117 305 7744
E victoria.j.redler@uk.gt.com



Agenda Item 14.

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

Mid Devon District Council
Phoenix house
Phoenix Lane
Tiverton
EX16 6PP

Grant Thornton UK LLP
Hartwell House
55 – 61 Victoria Street
Bristol
BS1 6FT

www.grant-thornton.co.uk

15 March 2016

Dear Members of the Audit Committee

Audit Plan for Mid Devon District Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Mid Devon District Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely



Geraldine Daly

Engagement Lead

Chartered Accountants

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Understanding your business

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

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.
- Mid Devon is forecasting an overspend of £172k for 2015/16. The budget for 2016/17 is balanced using £326k of New Homes Bonus.
- The preliminary grant settlement shows the termination of Revenue Support Grant (£1.7m in 2015/16) by 2019/20. The Council has recognised that a new strategic medium term plan is needed to deliver future balanced budgets.

2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- Mid Devon is part of the Heart of the South West (HotSW) covering Devon, Plymouth, Somerset and Torbay. There are 20 partners.
- The Statement of Intent for the partners sets out a request for additional powers and responsibilities in three areas:
 - Economic growth and productivity.
 - Health, social care and wellbeing.
 - Infrastructure and local resilience.

3. Housing

- The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.
- In particular, the reduction in council housing rents and changes to right to buy will have a significant impact on Councils' housing revenue account business plans.
- The Council has updated its housing strategy and has outlined its plans to:
 - Deliver affordable housing;
 - Make better use of existing housing stock;
 - Prevent homelessness;
 - Manage the impact of an aging population; and
 - Reduce the impact of welfare reform.

5. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.
- In 2015/16 we achieved early sign off on 29 July. The timetable has been agreed for the opinion audit for 2015/16 and the aim is to sign off the statements at the Audit Committee on 26 July 2016.

Our response



- We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.



- We will consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion.



- We will consider how the Council has reflected government announcements as part of its business planning process.
- We will share our knowledge of how other Councils are responding to these changes.



- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We have planned to complete our work in our audit of your financial statements by 26 July 2016.

Developments and other requirements relevant to your audit

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

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

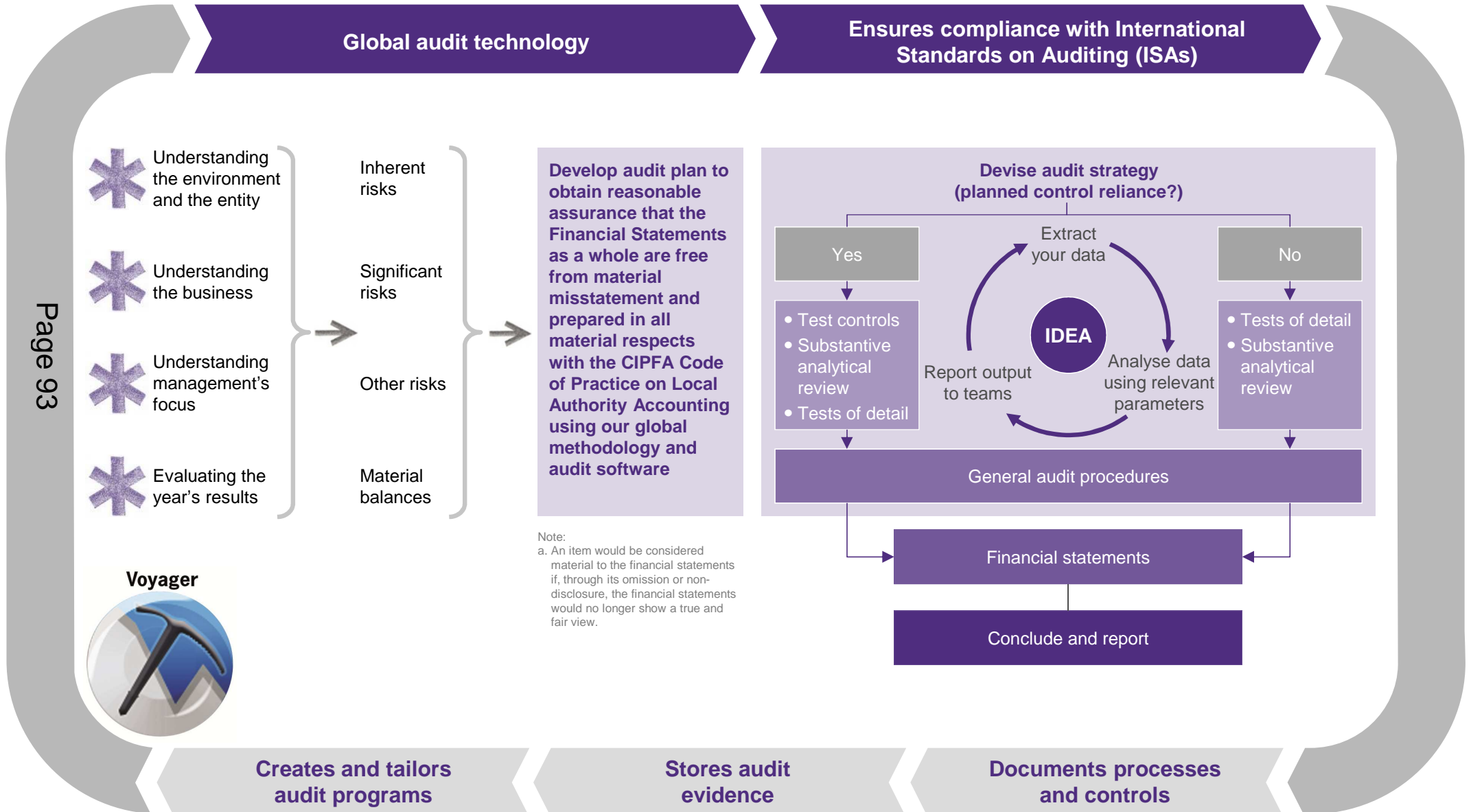
- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.
- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

Our audit approach



Our audit approach

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £900k (2014/15 £854k), being 2% of gross revenue expenditure, based on 2014/15 out-turn.

We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £45k.

ISA 20 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and bank balances	These balances underpin the integrity of the accounts and are material by nature.	£10,000
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Mid Devon, mean that all forms of fraud are seen as unacceptable.
<p>Management over-ride of controls</p>	<p>Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries and review of control environment around posting. • Review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

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Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	<p>The Council is required to revalue its assets, this represents a significant estimate by management in the financial statements. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value.</p> <p>Mid Devon District council revalues its assets annually, at the 31st March.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of the valuer. • Review of the instructions issued to the valuer and the scope of their work • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. <p>Further work planned:</p> <ul style="list-style-type: none"> • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

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

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

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction <p>Further work planned:</p> <ul style="list-style-type: none"> • Agree creditors to the ledger • Substantive testing of significant creditor balances • Review of after date payments to ensure all liabilities identified
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transaction • Predictive analytical review to Month 9 <p>Further work planned:</p> <ul style="list-style-type: none"> • Reconcile the pay expenditure reported in the financial statements to total expenditure recorded in the payroll. • Complete predictive analytical review for 15/16 • Substantively test a sample of remuneration transactions.

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Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include:

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes
- Welfare benefit expenditure

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015

The Act and the NAO guidance state that auditors are only required to report by exception where they are not satisfied that Council's have proper arrangements in place to secure value for money. However, we are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council.

The guidance identifies one single criterion for auditors to evaluate:

All significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out below:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance Understanding and using appropriate cost and performance information to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, if undertaken
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have identified one risks that relate to the Code sub-criteria, that is the reported overspend of £372k forecast for 2015/16; a budget for 2016/17 that is balanced using £326k of New Homes Bonus and a preliminary grant settlement that shows the elimination of our Revenue Support Grant (£1.7m in 2015/16) by 2019/20.

The Council is part of the Heart of the South West (HoSW) partnership covering Devon, Plymouth, Somerset and Torbay. There are 20 partners. We do not consider this to be a significant risk for 2015/16, but we will monitor the Council's plans as they develop..

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
Financial outturn The Council is forecasting an overspend of £372k for 2015/16; a budget for 2016/17 that is balanced using £326k of New Homes Bonus, and whose future is uncertain; and finally a preliminary grant settlement that shows the elimination of our Revenue Support Grant (£1.7m in 2015/16) by 2019/20..	This links to the Council's arrangements for understanding and using appropriate cost and performance information to support informed decision making; and planning finances effectively to support the sustainable delivery of strategic priorities.	We will review the Council's arrangements for putting together and agreeing its medium term financial plan, including identification of savings plans; and its arrangements for monitoring and managing delivery of its budget and savings plans for 2015/16, 2016/17 and beyond.

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusion
Internal audit Page 102	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

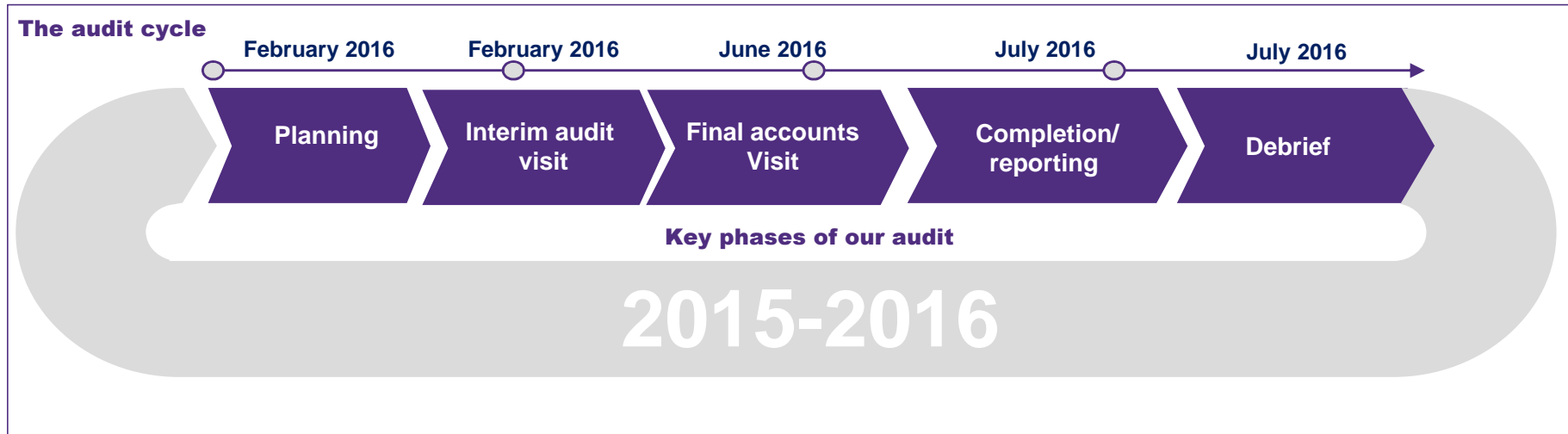
Results of interim audit work (continued)

	Work performed	Conclusion
Review of information technology controls	<p>we performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in Welfare benefit expenditure, Employee Remuneration and Operating Expenditure.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work to date has identified one issue that we wish to bring to your attention.</p> <p>There is no formal authorisation process for journals raised during the year. Therefore, the Council does not have a preventative control to identify entries that are erroneous.</p> <p>We will complete our testing of journals as part of our work to the give the opinion.</p>

Key dates



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Date	Activity
February 2016	Planning
February 2016	Interim site visit
15 March 2016	Presentation of audit plan to Audit Committee
June 2016	Year end fieldwork
June 2016	Audit findings clearance meeting with Head of Finance
26 July 2016	Report audit findings to those charged with governance (Audit Committee)
27 July 2016	Sign financial statements opinion

Fees and independence

Fees

	2015/16 £	2014/15 £
Council audit	47,700	63,600
Grant certification	7,418	9,210
Total audit fees (excluding VAT)	55,118	72,810

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

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

Fees for other services

Service	Fees £
Audit related services:	None
Non-audit services	
- Pooling of capital receipts	1,400
- HCA Decent Homes backlog claim	1,500

Fees for other services

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

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<https://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

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Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Issue	Recommendation	Priority	Management response	Implementation date & responsibility
1 Page 109	There is no formal authorisation process for journals raised during the year. Therefore, the Council does not have a preventative control to identify entries that are erroneous.	The Council needs to introduce a control over the processing of journals.	M	At year end the Head of Finance evidences a review of all Journals in excess of £100k. The Head of Finance proposes to review a printout each month, of all journals over £25k.	March 2016 Head of Finance.



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Audit Committee Update

Mid Devon District Council

Year ended 31 March 2016

15 March 2016

Geraldine Daly
Engagement Lead
T 0117 305 7741
E geri.n.daly@uk.gt.com

Steve Johnson
Audit Manager
T 0117 057 868
E steve.p.johnson@uk.gt.com

Victoria Redler
Executive
T 0117 305 7741
E victoria.j.redler@uk.gt.com



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
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and 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.

Geraldine Daly	Engagement Lead	M 07500 783992	geri.n.daly@uk.gt.com
Steve Johnson	Audit Manager	M 07880 456134	steve.p.johnson@uk.gt.com

Progress at 26 February 2016

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 the Council's 2014-15 financial statements.</p>	January 2016 to March 2016.	Yes	Audit plan is on the March Audit Committee agenda.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to March 2016.	Yes	The findings are reported in the audit plan.
<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 26 February 2016

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 has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015.</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VFM based on the following overall evaluation criterion: <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties. <p>We will be required to report by exception if we conclude that we are not satisfied that the Council has in place proper arrangements to secure value for money in the use of its resources for the relevant period.</p>	<p>January to July 2016</p>	<p>Not yet due.</p>	<p>The guidance and supporting information includes:</p> <ul style="list-style-type: none"> • the legal and professional framework; • definitions of what constitute 'proper arrangements'; • 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; • CCG specific guidance. <p>The guidance is available at https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/</p> <p>Now that the finalised auditor guidance we have carried out an initial risk assessment to determine our approach and reported this in our Audit Plan.</p> <p>Our work will be reported in the Audit Findings Report presented to the July meeting of the Audit Committee.</p>

Progress at 26 February 2016

Work	Planned date	Complete?	Comments
Certify the Council's WGA accounts	August 2016.	No.	As the deadline for the Council's submission is likely to be July 2016, we will plan our work for August.
<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>	June 2016 to November 2015.	No	The work on the 2015/16 claim will be carried out between June 2016 and November 2016.
<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	

Reforging local government: Summary findings of financial health checks and governance reviews

Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean.

Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.grantthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.



CFO Insights— driving performance improvement

Grant Thornton and CIPFA Market insight

CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.



Local Authority Trading Companies

Grant Thornton Seminar - Building a successful local authority trading company

On 11th February Grant Thornton hosted a free client seminar, in Taunton, looking at Local Authority Trading Companies (LATC). It was attended by 29 officers from councils in the South West. Although nobody from Mid Devon could attend we would be happy to share our slides from the day with the Council).

As councils look for different ways to reduce costs, improve efficiency and generate income some are setting up local authority trading companies. We predict that the number of these companies will continue to grow over the next five years.

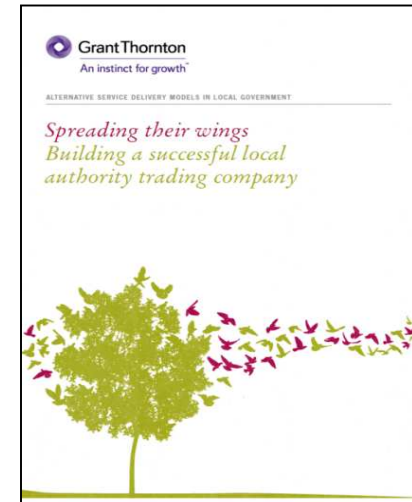
The seminar considered the themes set out in our recent report, 'Spreading their Wings', focusing on how to set up and build successful local authority trading companies.

Attendees heard from Grant Thornton Local Government Advisory and Tax colleagues, with a focus on the complexities of Corporation tax, SDLT, VAT and Employment taxes when entering into such arrangements.

Martin Farrow from Buckinghamshire Care Limited shared his experiences from the Buckinghamshire Care journey "A merger between sustainability and purpose". He set the scene – underfunded social care, government savings, rising demand, and ageing population, service cutbacks mean a lot fewer people receiving services. The solution? A seismic shift in commissioning.

Hugh Lambourne from Bournemouth Borough Council explained his Council's approach to developing its commercial services "Building a successful LATC & Commercial Council". Offering an insight into why you might create an LATC or alternatively why you might choose not to trade through an LATC!

The day ended with a panel session with Martin and Hugh being joined by Sarah Longthorpe - Bournemouth Borough Council, Giles Letheren – Delt Shared Services limited and Frank Wilson – Ubico Limited. A lively set of questions were posed by delegates.



You can download a copy of the Grant Thornton report – Spreading their wings from the website at <http://www.grant-thornton.co.uk/en/Sectors/Government--Public-Sector/>
Hard copies are also available from your Engagement Lead and Audit Manager.

Grant Thornton's next report on Joint Ventures will be available at the end of March

CIPFA reports and publications

Local Government Issues

Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1st April 2017 and larger local government bodies a year later, on 1st April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31st December 2016 and larger principal authorities by 31st December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15th July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

Results of auditors' work 2014/15

Public Sector Audit Appointments

Following the closure of the Audit Commission on 31st March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30th September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30th September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

IFRS 13 'Fair value measurement'

Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

- Has your Head of Finance reviewed the surplus assets and investment property categories to ensure what is included is correctly classified?
- Has your Head of Finance ensured property valuers and treasury advisers are aware of the fair value definitions under IFRS 13?
- Have the accounting policies and disclosures in your accounts been updated to reflect the IFRS 13 requirements?

Unlodged non-domestic rate appeals

Accounting and audit issues

Last year, there were primarily no provisions for unlodged non-domestic rates appeals as appeals received on or after 1 April 2015 were only backdated to 1 April 2015. The effect of last years announcement was supposed to put authorities in the position as if the revaluation had been done in 2015 as initially intended before the extension to 2017. This was only a one year reprieve and so any unlodged appeals at 31 March 2016 will only be backdated to 1 April 2015 and therefore may not be material.

However, this year, local authorities will need to estimate a provision for unlodged appeals but as above it may not be material.

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the Code it is in only extremely rare cases that a reliable estimate cannot be made. Therefore, if your local authority does have such an instance, the rationale needs backing up: both in terms of disclosures (as a contingent liability) and in providing evidence to those charged with governance as to why a reliable estimate for the provision cannot be made.

- Has your Head of Finance made plans to assess the need for an unlodged non-domestic rates appeal provision?

Website re-launch

Grant Thornton

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -
<http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities>





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Mid Devon District Council
Phoenix House
Phoenix Lane
Tiverton
Devon
EX16 6PP

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street,
Bristol
BS1 6FT

10 December 2015

+44 (0)117 3057600
www.grant-thornton.co.uk

Dear Andrew

Certification work for Mid Devon District Council for year ended 31 March 2015

We are required to certify one return submitted by Mid Devon District Council (the Council). This certification takes place by 30 November and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified one claims and return for the financial year 2014/15 relating to expenditure of £19.1 million. Further details of the claims certified are set out in Appendix A.

There are no issues arising from our certification work which we wish to highlight for your attention. We are satisfied that the Council has arrangements to compile the return accurately and in a timely manner for audit certification. We are satisfied that any recommendations raised in previous years have been addressed.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return and pooling housing capital receipts return) have been removed. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £9,210. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of Housing Benefit returns certified for 2014/15

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£19,081	No	0	Yes	Our qualification letter included one issue that we identified in relation to underpaid benefits as a result of incorrect calculations of claimants' weekly student loan income. The error was confined to the number of weeks in the academic year used in the calculation resulting in overstated income. As there is no eligibility to subsidy for benefit which has not been paid, the underpayments identified do not affect subsidy.

Appendix B: Fees for 2014/15 Housing Benefit certification work

Claim or return	2013/14 fee (£)	2014/5 Indicative fee (£)	2014/15 actual fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	9,890	9,210	9,210	0	None
Capital receipts return (CFB06)	404	n/a	n/a	n/a	n/a
	10,294	9,210	9,210	0	

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Chair of Audit Committee Report 2015/16

It seems to be that time of year again when as Chair of Audit I am required to attempt to give a brief (bear with me on that) report on the continued workings of the Audit Committee.

As with all committees without the hard work of officers there would be very little to report, therefore I must make it my first duty to offer on behalf of the committee a very grateful thank you to the following officers: Andrew Jarrett, Amy Tregellas, Catherine Yandle, Nicky Chandler and Suzanne Kingdom, all of whom work extremely hard to ensure reports are available, explanations known and respective Committee Chairs do not look complete plonkers.

We also need to recognise the work and expert explanations offered by our very helpful outside Auditors, Grant Thornton, we mainly see Steve Johnson and Geraldine Daly, both of whom offer members sanity in a world of occasional confusion, thank you both.

I save a special and very heartfelt thank you for Sarah Lees, without whom the efforts of all would on many occasions result in total confusion and very little else, my personal thanks and I am sure those of all committee members to Sarah.

The year was one of much change in the world of MDDC and Audit was no exception, we moved meeting time, changed personnel and increased our numbers from a committee of five to seven.

This year's report starts with the March meeting, those with a burning desire to check out January's meeting of 2015 will of course know this was reported on in last year's annual statement.

March

March saw the final meeting prior to the elections.

The Committee accepted the Code of Governance and discussed at length the Risk and Opportunity Report. It should be noted that some twelve months ago the Committee at this time recognised the fundamental requirement for the Council as a whole to move forward looking for opportunities to increase income, develop trading partnerships and become less risk averse.

Committee heard the latest update on the Annual Governance Statement and went into much detail on performance reports received. These included a continued concern on household waste figures and the figures for retained members at MDDC leisure facilities, members will note with interest that 2016 has already seen a similar debate on both subjects.

The Committee received a number of reports from completed internal audits. This month saw audits on council tax, payroll, housing benefits, please refer to meeting detail for full reports.

The Internal Audit Strategy and Plans were discussed for the Audit Team's work for 2015/16 reporting year and agreement was reached on plans presented.

We received a report from Grant Thornton informing members of new and demanding time scales for audit completion and opinions to be finalised. A new and very challenging target of final reports completed by end of July is known to be required within a few years so Grant Thornton and MDDC Officers have agreed to trial the new time scales for this year's reports.

No Audit meeting would be complete without reference to fees and Grant Thornton had to report additional charges to the set annual fee of £3,500 for additional work. This was related to the Tiverton Information Centre and a member challenge on car park discounts.

June

The first meeting post election and the first meeting of having seven committee members up from the previous five.

Committee welcomed back Cllr Deed and I was also fortunate to be back sat around the table, we welcomed some returned members who were joining Audit, Cllrs Radford and Hughes, with a very special welcome to newly elected members Cllrs Mrs Collis, Letch and Cllr Mrs Binks (as opposed to past member Cllr Mr Binks).

The June meeting is a very difficult meeting to be introduced to Audit Committee. It has some extremely lengthy reports that are both complex and shall we say in depth, it should only get better I assured all members.

I was grateful to be re-elected as Chair for the municipal year 2015/16. Unfortunately we were unable to elect a Vice Chair as not all members were present so this was deferred.

Members received a detailed report on performance and risk and some concern was raised over reported performances in food premises inspections and the MDDC annual sick absence figures, there was much debate on both and the sick absence figures were referred to the Chair of Scrutiny to ask that this committee look in more detail at the figures presented, such was the committees concern.

The Annual Governance Statement was approved.

Andrew Jarrett presented the annual accounts a document that is some 111 pages long, should members wish to refresh their memories a copy can be found in the Audit reports from the June 2015 meeting.

Andrew gave a very detailed picture of the MDDC financial position and detailed the difficulties currently known going forward. It was again recognised that MDDC need

to be looking at income opportunities going forward (see previous notes from March meeting.) Members received a report from Grant Thornton and confirmation of the works being undertaken to meet the new deadline of July's end.

July

I am delighted to report that committee elected Cllr Mrs Binks as Vice Chair Committee received an update on the Annual Governance Statement. We also agreed the annual accounts following some minor alterations to the report presented in March's meeting. It was agreed the letter of representation could be signed.

Grant Thornton gave a brief update on external audit findings and committee received internal audit reports on, vehicles and fuel and recruitment.

As previously stated not many meetings go by without reference to fees, on this occasion Grant Thornton gave detail of the agreed fees to be paid by MDDC for their services for 2015/16, it should be noted that these fees are set by the Audit Commission and Councils are unable to negotiate separately at this time.

The MDDC fees had been set at £47,700 with a further fee of £7,418 for the grant certification work, total of £55,118, this against a previous year's fees of £63,600.

September

Committee received the Quarter 1 Performance and Risk.

Internal audit reports on Legal Services, Culm Valley Leisure Centre and Insurance. It was at this point that Committee discussed the requirements of members to hold the necessary insurance to undertake council business in their own cars.

Grant Thornton gave a report on external work.

Committee debated a recurring subject of audit recommendations not being undertaken in a timely manner. Past committees had indeed sought an explanation from the then Chief Executive Kevin Finan as to why so many recommendations had not been completed sometimes after years of appearing on audit reports. It should be noted that the number of outstanding actions had reduced significantly, however, the senior officers present were asked to remind all Heads of Service that such recommendations should be completed unless exceptional circumstances prevented this and going forward explanations may well be sought on future delays.

A discussion took place in the ability of councils to independently appoint external auditors, although it remains a central government ambition for 2017/18 the reality seems to be a three year extension to having this ability seems likely with the audit commission continuing to appoint as now.

November

I gave committee a brief report on a training course I had attended in October run by Grant Thornton. The course was free and very informative on how councils of all

sizes are facing up to the challenges of austerity and generating income by new and expanding initiatives.

I also informed Committee that I had requested that consideration be given to my attendance at a seminar run by the Local Government Association to look at income generation across councils giving detail of known projects. It was agreed that myself and Andrew Jarrett were to attend.

We received the Quarter 2 Performance and Risk Report, internal audit reports on payroll, housing rents, grants and donations, and hospitality were discussed. Grant Thornton gave details of the Annual Audit Letter and an update on current works

January (2016)

First meeting of 2016 and last for this report.

It was a treat to meet the Internal Audit Team. Catherine Yandle is a regular attendee however the other team members of Nicky Chandler and Suzanne Kingdom were present to give a presentation on how they look to formulate and complete the strategic audit plans of core and systems audits. A detailed and very well explained presentation was very well received.

Committee received and discussed internal audits on council tax, NNDR, treasury management and income and cash collection.

There was an update on member's compliance of business insurance and I agreed to raise at full council given the current low numbers of responses received.

There were no reports from Grant Thornton due to illness, committee were assured there was nothing that was urgent and all business could be deferred to the meeting in March.

The above is a brief (just my opinion) on the workings of the Audit committee, we rarely see any members of the public and infrequent visits from other members. The committee do not and are not a decision making forum. However the role is one of increasing importance to check, challenge and hold to account all departments and aspects of council work.

Having thanked officers and external staff it would be remiss of me not to thank all members for their continued efforts and hard work, it is only with your effects that the circle is completed.

We must continue to learn from yesterday's work and stride to improve all that we do tomorrow.

Bob Evans
Chair MDDC
Audit Committee