

# Public Document Pack

Mid Devon District Council

## Audit Committee

Tuesday, 23 January 2018 at 5.30 pm  
Exe Room, Phoenix House, Tiverton

Next ordinary meeting  
Tuesday, 20 March 2018 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 R F Radford  
Cllr L D Taylor

## A G E N D A

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

1. **Apologies**

To receive any apologies for absence.

2. **Public Question Time**

To receive any questions relating to items on the Agenda from members of the public and replies thereto.

3. **Minutes of the previous meeting** (*Pages 5 - 10*)

Members to consider whether to approve the minutes as a correct record of the meeting held on 21 November 2017.

4. **Chairman's Announcements**

To receive any announcements that the Chairman may wish to make.

5. **Performance and Risk for 2017-18** *(Pages 11 - 44)*

To receive a report from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2017-18 as well as providing an update on the key business risks.

6. **Progress update on the Annual Governance Statement and Action Plan** *(Pages 45 - 50)*

To receive a report from the Group Manager for Performance, Governance and Data Security providing the Committee with an update on progress made against the Annual Governance Statement 2016/17 Action Plan.

7. **Financial Regulations Review**

To receive a verbal update from the Director of Finance, Assets & Resources regarding some minor changes to the Financial Regulations.

8. **Internal Audit Progress Report** *(Pages 51 - 58)*

To receive a report from the Deputy Head of the Devon Audit Partnership monitoring the progress and performance of Internal Audit.

9. **Internal Audit Charter and Strategy 2018-19** *(Pages 59 - 74)*

To receive a report from the Devon Audit Partnership presenting the Committee with the Internal Audit Charter and Strategy for the effective operation of the internal audit service.

10. **Grant Thornton- Audit Progress Report and sector Update** *(Pages 75 - 90)*

To receive a report from Grant Thornton providing the Committee with a report on progress in delivering their responsibilities as the Council's external auditors.

11. **Grant Thornton - Certification work** *(Pages 91 - 94)*

To receive a letter from Grant Thornton outlining the certification work they have undertaken for Mid Devon District Council for the year ended 31 March 2017.

12. **Grant Thornton - External Audit Plan** *(Pages 95 - 110)*

To receive a report from Grant Thornton providing the Committee with an overview of the planned scope and timing of the statutory audit of Mid Devon District Council.

### 13. **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:

- Performance and Risk
- Progress update on the AGS and Action Plan
- Internal Audit Progress Report and Update
- Corporate Debt Recovery Policy
- Draft Four Year Strategic Audit Plan for 2018/19 to 2021/22
- Risk and Opportunity Management Strategy
- Grant Thornton – External Audit Progress Report and Update
- Grant Thornton – Audit Plan for Mid Devon District Council
- Chairman’s Annual Report for 2017/18

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

**Stephen Walford**  
Chief Executive  
Monday 15<sup>th</sup> January 2018

Anyone wishing to film part or all of the proceedings may do so unless the press and public are excluded for that part of the meeting or there is good reason not to do so, as directed by the Chairman. Any filming must be done as unobtrusively as possible from a single fixed position without the use of any additional lighting; focusing only on those actively participating in the meeting and having regard also to the wishes of any member of the public present who may not wish to be filmed. As a matter of courtesy, anyone wishing to film proceedings is asked to advise the Chairman or the Member Services Officer in attendance so that all those present may be made aware that is happening.

Members of the public may also use other forms of social media to report on proceedings at this meeting.

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

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

Tel: 01884 234310

Fax:

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

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## MID DEVON DISTRICT COUNCIL

**MINUTES** of a **MEETING** of the **AUDIT COMMITTEE** held on 21 November 2017 at 5.30 pm

### **Present**

#### **Councillors**

R Evans (Chairman)  
Mrs J B Binks, Mrs C Collis, T G Hughes and R F Radford

### **Apologies**

#### **Councillors**

R M Deed and L D Taylor

### **Also Present**

#### **Councillors**

R J Dolley and Mrs J Roach

### **Present**

#### **Officers**

Andrew Jarrett (Director of Finance, Assets and Resources),  
David Curnow (Deputy Head of Devon Audit Partnership),  
Catherine Yandle (Group Manager for Performance,  
Governance and Data Security) and Sarah Lees (Member  
Services Officer)

### **Also in**

#### **Attendance**

G Daly, A Davies and S Johnson

## 38. **APOLOGIES**

Apologies were received from Councillors R M Deed and L Taylor.

## 39. **PUBLIC QUESTION TIME**

There were no members of the public present.

## 40. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman had the following announcements to make:

- a) He had recently attended some training for Audit Committee members at Haynes Motor Museum. Having listened to a number of speakers during the day he was satisfied that as the Mid Devon District Council Audit Committee it was fully complying with its constitutional role and function. The 'hot' topics outlined at the training had been issues in relation to IT and ransom ware. Briefings had been provided to Members in this authority on both subjects. Examples were provided of instances where things had not quite gone to plan in some authorities but this was presented to delegates in terms of learning lessons and developing best practice guides.
- b) He had also recently attended a Devon Audit Partnership meeting on behalf of the Committee. He had circulated the meeting documents to Committee members. The full decision making element of their role would commence in March 2018. This particular meeting had provided an opportunity for discussion around the remit of the partnership.

#### 41. MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 19 September 2017 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

#### 42. PERFORMANCE AND RISK 2017/18 (00:06:00)

The Committee had before it, and **NOTED**, a report \* from the Director of Corporate Affairs & Business Transformation providing Members with an update on performance against the Corporate Plan and local service targets for 2017/18 as well as providing an update on the key business risks.

Since the report had been published updated data was now available in relation to the following:

- The new transfer station at Carlu Close would be fully operational by December.
- The number of empty homes brought back into use had now well exceeded the annual target of 25.
- MDDC had recently hosted a Landlord Networking event which had been well attended and received and the Involve AGM.

Discussion took place with regard to:

- Confusion regarding the data in relation to the number of complaints received. The Group Manager for Performance Governance and Data Security stated that she would investigate and provide clarification following the meeting.
- It was confirmed by the Director of Finance, Assets & Resources that the Palmerston Park and Birchen Lane developments would be completed before the end of the following financial year. There had been some issues with contractors and the quality of work but he confirmed that the sites were now progressing.
- The increasing number of speculative developments taking place as a result of a delay with the Local Plan.
- Risks in relation to Plant Rooms currently had a severity risk of 4 and a likelihood of 3, however, the Leisure Centre Manager was well aware of the risks and had mitigated for this. The Committee requested that they receive a review note in relation to this next time.
- Uncertainty in relation to Business Rates and how much the Council would be able to retain in the future.
- Risk of stress and the impact upon the health and wellbeing of Housing officers and Legal Services staff. The Committee requested that a watchful eye be kept on this as an area of concern and that they receive a review note in due course.
- It was stated that just because a tenant might have complex needs this need not necessarily have a direct impact upon Housing officer's workloads. It might be that the tenant had an alternative care package in place. Again, the Committee requested that a review note be provided next time.

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

43. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN (00:37:13)**

The Committee had before it, and **NOTED**, a report \* from the Group Manager for Performance Governance and Data Security providing it with an update on progress made against the Annual Governance Statement 2016/17 Action Plan.

It was explained that two actions on the plan were overdue and were being re-scheduled, however, eight items were completed with four not yet due.

Consideration was given to:

- The Staff Charter which had now been launched, with the Director for Corporate Affairs and Business Transformation attending team meetings.
- More benchmarking was needed in relation to certain service areas, for example, grass cutting.
- The Group Manager responsible for the successful operation of General Data Protection Regulations (GDPR) confirmed that there had been a 93% response rate in relation to information received from officers for the Asset Registers, 71% of data flow maps had been completed and 21% of service areas had completed their forms review. A project board had been established and had been meeting for over 4 months and staff training had commenced. A revised Data protection Policy would be on the Cabinet agenda for 5 April 2018 in order to comply with all necessary legislative timescales.

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

44. **INTERNAL AUDIT PROGRESS REPORT (00:42:52)**

The Committee had before it, and **NOTED**, a report \* from the Devon Audit Partnership Audit Manager updating it on the work performed by Internal Audit for the 2017/18 financial year.

The Audit Manager explained that the report had been presented to the Committee in two different formats but he intended to take them through the revised version as it was considered by many clients to be more informative, accessible and quicker to read. He requested that the Committee indicate at the end of the item which format they preferred and which one they would like to receive in the future.

Discussion took place regarding the following areas within the new format report:

- The expectations of the Audit Committee were clearly set out.
- Opinion Statements were the key components to the progress report providing assurance where necessary to the Committee. The different levels of assurance were explained.
- The management controls for maintenance, monitoring and performance management of risk in relation to Housing, Health and Safety and Environmental Health required improvement.

- It was confirmed that the dates by which audit recommendations ought to have been actioned were agreed at the end of each audit between the audit team and the service manager.
- Changes to the Audit plan had been agreed by management in relation to the following:
  - Housing Options would be deferred to the last quarter.
  - Street Cleansing would be replaced by a Leisure Centre financial procedures audit.
  - The Grounds Maintenance audit would be replaced by a PCI (Payment Card Industry Standards) audit.
  - Further support would be provided for investigations
- Fraud detection and prevention reviews were on going.
- Future reporting on individual audits would be provided as a shortened executive summary in future with a summary of recommendations and a symbol provided in terms of the Direction of Travel.
- Sub-contractors would continue to undertake work in relation to testing for gas and electrical faults, asbestos and legionella whilst at the same time consideration being given to setting up an in-house team to deliver the same professional standard inspections but at a lower cost.
- It was requested that headings be repeated on each page so as to avoid any confusion.

It was **AGREED** that the new style of reporting was preferred. It avoided duplication and was more visually informative. The Committee requested that it received the new report format in future.

It was further **AGREED** that the Director of Finance Assets & Resources would provide a further update to the Committee at the next meeting regarding all the 2016 outstanding audit recommendations.

Note: \* Report previously circulated; copy attached to the signed minutes

#### 45. **EXTERNAL AUDIT PROGRESS REPORT (01:15:03)**

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

The following was highlighted within the report:

- An Audit Plan would be issued in the New Year.
- The approach regarding Value for Money work was explained.
- Over the coming months there would be discussion around the Council's Special Purpose Vehicle, the retention of Business Rates, the Council's Medium Term Financial Strategy and future sustainability.
- Regarding the procurement of external audit services, Grant Thornton had successfully bid and been awarded 41% of the local government market including Mid Devon District Council.
- Grant Thornton publications which might be helpful to the Council when considering alternative methods of service delivery.

Following this the Engagement Lead informed the Committee that Steve Johnson, who had been the Audit Manager for 9 years, would be attending the Committee for the last time. It was good practice within the industry to rotate audit managers and it was now time for Steve to change his area of remit. The new Audit Manager who would attend the Committee in future would be Andrew Davies.

The Engagement Lead personally thanked Mr Johnson for the support and advice he had given her. She had relied on his historical knowledge of Mid Devon District Council during her time as Engagement Lead. The Director of Finance, Assets & Resources also thanked Mr Johnson for many years of hard work and co-operative working.

Finally, the Chairman of the Committee stated that Mr Johnson must have seen many changes to the authority over 9 years, he hoped that many of these were for the better. Both he as Chairman and the Committee, had, at times, required complex explanations being unqualified as auditors or accountants themselves and Mr Johnson had always excelled at this. The work that he and his colleagues did was absolutely essential to the Council as was the assurance they provided to the public. The Committee wished him well for the future.

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

#### 46. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING

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

- Grant Thornton's Audit Plan

(The meeting ended at 6.55 pm)

**CHAIRMAN**

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## **AUDIT COMMITTEE 23 JANUARY 2018:**

### **PERFORMANCE AND RISK FOR 2017-18**

**Cabinet Member**                      Cllr Peter Hare-Scott  
**Responsible Officer**                Director of Corporate Affairs & Business Transformation,  
Jill May

**Reason for Report:** To provide Members with an update on performance against the corporate plan and local service targets for 2017-18 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.

**Equality Impact Assessment:** No equality issues identified for this report.

#### **1.0 Introduction**

- 1.1 Appendices 1-5 provide Members with details of performance against the Corporate Plan and local service targets for the 2017-18 financial year.
- 1.2 When benchmarking information is available it is included.
- 1.3 Appendix 6 shows the higher impact risks from the Corporate Risk Register. This includes Operational and Health & Safety risks where the score meets the criteria for inclusion. See 3.0 below.
- 1.4 Appendix 7 shows the risk matrix for the Council.
- 1.5 All appendices are produced from the Corporate Service Performance And Risk Management system (SPAR).

## 2.0 Performance

### Environment Portfolio - Appendix 1

- 2.1 Regarding the Corporate Plan Aim: **Increase recycling and reduce the amount of waste**: The Council is broadly on track with **Residual household waste per household (measured in Kilograms)** until the end of October was 224kg. We are still a little below target for **% of household waste reused, recycled and composted** but at 53.6% still did well compared to the mean for all English authorities on LG Inform which was 48.09% for Q2 2017/18.
- 2.2 90% of trade waste customers are now covered by the recycling service.
- 2.3 **Number of Households on Chargeable Garden Waste**; sales/renewals exceeded the target of 9,000 by the end of June. The number of customers peaked in September at 9,537 but has slightly decreased since due to the drop in garden waste produced during the winter. We now have 9,268 customers against 8,298 as at 30 November 2016.
- 2.4 Regarding the Corporate Plan Aim: **Reduce our carbon footprint**: We continue to put energy saving measures in place wherever we can; recent additions are low energy air handling and LED lighting in the EVLC extension.
- 2.5 The energy switching scheme went live on MDDC website on 1 December 2017. The Waste transfer station at Carlu Close was officially opened on 8 December.
- 2.6 Regarding the Corporate Plan Aim: **Protect the natural environment**: 12 of the 27 recommendations from the Street Cleansing review have now been implemented; some have been put on hold and will be considered with the proposed merger of the service with Grounds Maintenance.

### Homes Portfolio - Appendix 2

- 2.7 Regarding the Corporate Plan Aim: **Build more council houses**: No new Council Houses were completed in 2016/17 nor so far in 2017/18 however work is progressing on Birchen Lane and Palmerston Park, both due for completion in 2018.
- 2.8 Regarding the Corporate Plan Aims: **Facilitate the housing growth that Mid Devon needs, including affordable housing: and Planning and enhancing the built environment**: The Local Plan is of course key; having taken legal advice and reviewed the statements of participants who would take part in the hearings a deferment has been requested to allow an independent review of the major modifications stage sustainability appraisal. This has been commissioned but a delay in the order of 6 months is expected.

- 2.9 **Percentage of Properties with a Valid Gas Safety Certificate (LGSR):** there are three expired properties, two are at injunction stage and one is empty and subject to possession proceedings by the tenancy service.
- 2.10 As predicted the impact of welfare reform is now being felt and arrears are increasing; the service will be looking at ways to mitigate this in the Service Business Plan for next year. As the effects of the introduction of Universal Credit bite we cannot expect to continue achieving collection rates of 100%.

#### Economy Portfolio - Appendix 3

- 2.11 Regarding the Corporate Plan Aim: **Attract new businesses to the District:** The number of business rate accounts has increased since last year which indicates some positive movement into the District but will include extra accounts for existing businesses too.
- 2.12 Regarding the Corporate Plan Aim: **Focus on business retention and growth of existing businesses:** We are now recording **Businesses assisted** which is on target at 183, as at end of November, against an annual target of 250.
- 2.13 Regarding the Corporate Plan Aim: **Improve and regenerate our town centres with the aim of increasing footfall, dwell-time and spend in our town centres:** for **Empty Shops**, counting takes place at the start of the quarter so we now have the final position for 2017/18 compared to 2016/17: 7 more empty shops for Tiverton, 1 more in Crediton and 1 more in Cullompton. Crediton appears to be in better shape which was also suggested by the Consultation Working Group report which went to Scrutiny on 4 December. (See item on this agenda)
- 2.14 The Tiverton Town Centre Masterplan is due to go to Cabinet on 1 March 2018 prior to stage 1 public consultation. A £1.2M bid was submitted to the Heritage Lottery fund to help restore historic buildings in Cullompton. We will know the outcome in May 2018.
- 2.15 Regarding the Corporate Plan Aim: **Grow the tourism sector:** the Mid Devon Destination Management Plan for Tourism is due to come before this PDG in March.
- 2.16 **Other:** The Local Plan; having taken legal advice and reviewed the statements of participants who would take part in the hearings a deferment has been requested to allow an independent review of the major modifications stage sustainability appraisal. This has been commissioned but a delay in the order of 6 months is expected before the examination stage.

#### Community Portfolio - Appendix 4

- 2.17 Regarding the Corporate Plan Aim: **Promote physical activity, health and wellbeing:** The EVLC extension is complete with the official opening on 10 January.

- 2.18 Planning is underway for this year's South West Youth Games with a fundraising Skipathon taking place across Devon and Cornwall from 22-26 January.
- 2.19 **Other:** Cosy Devon is still live, however they are currently migrating the site over to DCC hosting. The LEAP project within the ECO funding is also still live and offers home energy visits and low-cost measures.

#### Corporate - Appendix 5

- 2.20 **Working days lost due to sickness** is well below target (there will be a verbal update at the meeting).
- 2.21 The **Response to FOI requests** is still well below target. Recruitment for a replacement member of staff has taken place and the new member of staff started on 4 January so performance should improve quite quickly now there is a member of staff with this responsibility. The PIs for Customer First are mostly on or above target.
- 2.22 The GDPR project is progressing; it has been a standing item on Group Managers' Team since inception and there are regular updates in the Link and for Members. After a bit of stagnation in December a well-attended Q and A session for more than 30 managers was held at Phoenix House on 3 January. Work is planned on Privacy Notices, with suppliers and on the contract register over the next couple of months.
- 2.23 The **Performance Planning Guarantee determined within 26 weeks** remains slightly below target but the 4 speed and quality measures are all well above the required target.
- 2.24 The large vacant unit at Market Walk (17) has been let and re-opened as Londis before Christmas. Unit 10 refurbishment is scheduled to be completed by the end of January, signwriting completed.
- 2.25 MDDC has completed on 2 further units in Fore Street bringing the total ownership to 5.

### **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 10 or more. (Appendix 6)
- 3.2 Appendix 7 shows the risk matrix for MDDC for this quarter. If risks are not scored they are included in the matrix at their inherent score which will be higher than their current score would be.

### **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:** Catherine Yandle Group Manager for Performance, Governance and Data Security ext 4975

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

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### Corporate Plan PI Report Corporate

Monthly report for 2017-2018

Arranged by Aims

Filtered by Aim: Priorities Delivering a Well-Managed Council

For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data Well below target Below target On target Above target Well above target

\* Indicates that an entity is linked to the Aim by its parent Service

## Corporate Plan PI Report Corporate

### Priorities: Delivering a Well-Managed Council

#### Aims: Put customers first

#### Performance Indicators

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>% of complaints resolved w/in timescales (10 days - 12 weeks)</u>	93% (9/12)	92%	90%	100%	96%	88%	91%	92%	93%	94%	95%	93%				93% (9/12)	None	
<u>Number of Complaints</u>	16 (9/12)	21	For information only	13	13	23	15	27	38	19	30	15				15 (9/12)	None	
<u>New Performance Planning Guarantee determine within 26 weeks</u>	97% (2/4)	98%	100%	n/a	n/a	99%	n/a	n/a	99%	n/a	n/a		n/a	n/a		99% (2/4)	Jenny Clifford, Adrian Welsh	
<u>Major applications determined within 13 weeks (over last 2 years)</u>	66% (2/4)	74%	60%	n/a	n/a	83%	n/a	n/a	83%	n/a	n/a		n/a	n/a		83% (2/4)	Jenny Clifford, Adrian Welsh	

**Corporate Plan PI Report Corporate**

**Priorities: Delivering a Well-Managed Council**

**Aims: Put customers first**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Minor applications determined within 8 weeks (over last 2 years)</u>	76% (2/4)	76%	65%	n/a	n/a	79%	n/a	n/a	79%	n/a	n/a		n/a	n/a		79% (2/4)	Jenny Clifford, Adrian Welsh	
<u>Major applications overturned at appeal (over last 2 years)</u>	10% (2/4)	9%	10%	n/a	n/a	4%	n/a	n/a	4%	n/a	n/a		n/a	n/a		4% (2/4)	Jenny Clifford, Adrian Welsh	
<u>Minor applications overturned at appeal (over last 2 years)</u>	n/a	n/a	10%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a		n/a	n/a		0% (2/4)	Jenny Clifford, Adrian Welsh	
<u>Response to FOI Requests (within 20 working days)</u>	94% (9/12)	94%	100%	79%	85%	82%	80%	78%	78%	74%	69%	67%				67% (9/12)	Catherine Yandle	(December) 49 answered 24 over 20 days (HF)
<u>Working Days Lost Due to Sickness Absence</u>	5.73days (9/12)	7.89days	7.00days	0.61days	1.25days	1.88days	2.54days	3.12days	3.79days	4.66days	5.71days	7.54days				7.54days (9/12)	Jane Cottrell	
<u>Return on Commercial Portfolio</u>		8.6%	7.5%	n/a	n/a	n/a		n/a	Andrew Busby									
<u>% total Council tax collected - monthly</u>	85.05% (9/12)	98.10%	98.50%	11.34%	20.61%	29.74%	38.73%	51.60%	56.69%	66.58%	75.68%	84.68%				84.68% (9/12)	John Chumbley, Andrew Jarrett	
<u>% total NNDR</u>	84.78% (9/12)	99.18%	99.20%	12.20%	19.88%	33.72%	40.57%	50.41%	57.38%	65.32%	73.47%	81.02%				81.02% (9/12)	John Chumbley,	(December) % collection rate down

**Corporate Plan PI Report Corporate**

**Priorities: Delivering a Well-Managed Council**

**Aims: Put customers first**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>collected - monthly</u>																	Andrew Jarrett	because of the NDR Revaluation for 2017 (DP)
<u>Number of visitors per month</u>	2,813 (9/12)	2,761	3,000	2,351	2,673	2,784	2,787	2,724	2,703	2,715	2,714	2,610				2,610 (9/12)	None	
<u>Satisfaction with front-line services</u>	82.86% (9/12)	81.58%	80.00%	0.00%	0.00%	97.59%	97.59%	97.59%	97.14%	97.14%	97.14%	97.14%				97.14% (9/12)	None	(December) No Customer satisfaction surveys completed this quarter (RT)
<u>Increase Number of Digital payments</u>	54,711 (9/12)	69,567	70,960	6,326	12,698	19,179	25,446	31,703	38,810	48,423	56,854	62,510				62,510 (9/12)	None	

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**Corporate Plan PI Report Community**

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Community  
 Filtered by Flag: Exclude: Corporate Plan Aims 2016 to 2020  
 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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\* indicates that an entity is linked to the Aim by its parent Service

**Corporate Plan PI Report Community**

**Priorities: Community**

**Aims: Promote physical activity, health and wellbeing**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>GP Referrals</u>	n/a	n/a		18	18	18	22	22								22 (5/12)	Corinne Parnall	(August) Out of a possible 28 (CY)
<u>Introduce Trimtrails across the District</u>		0	1	n/a		n/a	Simon Newcombe											

**Aims: Other**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Offic Note
<u>Number of social media communications MDDC send out</u>	342 (8/12)	191	For information only	87	129	101	152	152	111	175	201					201 (8/12)	None	(Nov No. c Face Post: Publi 87 No. c Twee 114 (
<u>Number of web hits per month</u>	26,296 (8/12)	28,543	***For information only***	30,041	32,545	28,620	28,208	27,028	26,949	27,804	26,099					26,099 (8/12)	None	
<u>Compliance with food safety law</u>	90% (8/12)	89%	90%	90%	90%	90%	89%	89%	89%	88%	87%					87% (8/12)	Simon Newcombe	

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**Corporate Plan PI Report Economy**

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Economy  
 For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data Well below target Below target On target Above target Well above target

\* indicates that an entity is linked to the Aim by its parent Service

**Corporate Plan PI Report Economy**

**Priorities: Economy**

**Aims: Attract new businesses to the District**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Number of business rate accounts</u>	2,889 (8/12)	2,930	Can only increase if there are actual new properties brought into the Valuation List as a result of	2,933	2,936	2,942	2,951	2,951	2,963	2,963	2,987					2,987 (8/12)	John Chumbley, Andrew Jarrett	

**Aims: Focus on business retention and growth of existing businesses**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Businesses assisted</u>	n/a	n/a	250	20	38	53	92	110	136	147	183					183 (8/12)	None	(November) Provisional figures (JB)

**Aims: Improve and regenerate our town centres**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Increase in Car Parking Vends</u>	52,876 (8/12)	55,241		48,051	53,937	54,086	54,730	54,417	54,734	53,420	51,810					51,810 (8/12)	Andrew Jarrett	
<u>The Number of Empty Shops (TIVERTON)</u>	18 (3/4)	16	18	n/a	n/a	19	n/a	n/a	25	n/a	n/a	23	n/a	n/a		23 (3/4)	Adrian Welsh	(Quarter 3) As of 30th October 2017 = 23 representir 9.9% of tot units (JB)
<u>The Number of Empty Shops (CREDITON)</u>	8 (3/4)	7	8	n/a	n/a		n/a	n/a	8	n/a	n/a	8	n/a	n/a		8 (3/4)	Adrian Welsh	(Quarter 3) As of 30th October 2017 there are 8 vacancies, representir a vacancy rate of 6.8% (JB)
<u>The Number of Empty Shops (CULLOMPTON)</u>	10 (3/4)	8	8	n/a	n/a	11	n/a	n/a	9	n/a	n/a	9	n/a	n/a		9 (3/4)	Adrian Welsh	(Quarter 3) As of the 30th October 2017 there are 9 vacancies, representir a vacancy rate of 10.5% (JB)

**Aims: Other**

**Corporate Plan PI Report Economy****Priorities: Economy****Aims: Other****Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Funding awarded to support economic projects</u>	£56,842 (2/4)	£61,842		n/a	n/a	£0	n/a	n/a	£25,459	n/a	n/a		n/a	n/a		£25,459 (2/4)	Adrian Welsh	(Quarter 2) Tiverton Museum £15,459 Exe Valley Leisure Centre £10,000 (JB)

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**Corporate Plan PI Report Environment**

Monthly report for 2017-2018

Arranged by Aims

Filtered by Aim: Priorities Environment

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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\* indicates that an entity is linked to the Aim by its parent Service

**Corporate Plan PI Report Environment**

**Priorities: Environment**

**Aims: Increase recycling and reduce the amount of waste**

**Performance Indicators**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Residual household waste per household (measured in Kilograms)</u>	211.76 (7/12)	374.20	420.00	32.80	63.57	98.56	130.52	166.92	195.29	224.36						224.36 (7/12)	Stuart Noyce	(April - November) Figures supplied by DCC one month behind reporting cycle. (LD)
<u>% of Household Waste Reused, Recycled and Composted</u>	55.8% (7/12)	53.3%	53.0%	51.3%	52.6%	51.3%	51.8%	52.5%	52.5%	52.5%						52.5% (7/12)	Stuart Noyce	(November) 215.9kg per household @ 30/09 Figures for Nov 17 recycling rate supplied by DCC one month behind reporting cycle. (CY)
<u>Net annual cost of waste service per household</u>		£56.37	£50.35	n/a	Stuart Noyce													
<u>Number of Households on Chargeable Garden Waste</u>	8,298 (8/12)	8,536	9,000	8,692	8,973	9,107	9,343	9,449	9,537	9,520	9,268					9,268 (8/12)	Stuart Noyce	(November) The number of garden waste customer has decreased slightly reflecting a decrease in garden waste produced during the winter months. The number of customers still remains above target. (LD)
<u>% of missed collections reported (refuse and organic waste)</u>	0.03% (8/12)	0.04%	0.03%	0.04%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%					0.04% (8/12)	Stuart Noyce	(November) Missed Collections have decreased by 0.022% compared to last month (actual) (LD)
<u>% of Missed Collections logged (recycling)</u>	0.03% (8/12)	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%					0.03% (8/12)	Stuart Noyce	(November) Continue to remain on target (LD)

**Aims: Protect the natural environment**

<b>Corporate Plan PI Report Environment</b>																		
<b>Priorities: Environment</b>																		
<b>Aims: Protect the natural environment</b>																		
<b>Performance Indicators</b>																		
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>	5 (8/12)	10		5	9	10	13	16	21	24	31					31 (8/12)	Vicky Bowden	

**Corporate Plan PI Report Homes**

Monthly report for 2017-2018  
 Arranged by Aims  
 Filtered by Aim: Priorities Homes  
 For MDDC - Services

Key to Performance Status:

Performance Indicators: No Data Well below target Below target On target Above target Well above target

\* indicates that an entity is linked to the Aim by its parent Service

**Corporate Plan PI Report Homes**

**Priorities: Homes**

**Aims: Build more council houses**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<b>Build Council Houses</b>	0 (2/4)	0	13	0	0	0	0	0	0	0	0					0 (8/12)	Angela Haigh	

**Aims: Facilitate the housing growth that Mid Devon needs, including affordable housing**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date	Group Manager	Officer Notes
<b>Number of affordable homes delivered (gross)</b>	19 (2/4)	31	80	n/a	n/a	26	n/a	n/a	33	n/a	n/a		n/a	n/a		33 (2/4)	Angela Haigh	
<b>Deliver 15 homes per year by bringing Empty Houses into use</b>	10 (8/12)	33	25	7	11	13	23	34	43	54	84					84 (8/12)	Simon Newcombe	

**Aims: Other**

Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to Date
<b>Number of Successful Homelessness Prevention Cases</b>	136 (2/4)	295	No Target - for information only	n/a	n/a		99	n/a	n/a	159	n/a	n/a	n/a	n/a		159
<b>% Decent Council Homes</b>	100.00% (8/12)	100.00%	100.0%	99.9%	99.9%	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%					100.0%
<b>% Properties With a Valid Gas Safety Certificate</b>	99.95% (8/12)	99.86%	100.0%	99.95%	99.64%	99.87%	99.82%	99.96%	99.91%	99.82%	99.87%					99.87%
<b>Rent Collected as a Proportion of Rent Owed</b>	99.67% (8/12)	100.18%	100.0%	93.76%	95.18%	96.25%	96.87%	99.14%	98.73%	99.08%	98.85%					98.85%
<b>Current Tenant Arrears as a Proportion of Annual Rent Debit</b>	1.00% (8/12)	0.60%	1.00%	0.93%	1.06%	1.16%	1.30%	1.26%	1.30%	1.17%	1.33%					1.33%
	0.6% (8/12)	0.5%		0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%					0.5%

Corporate Plan PI Report Homes																
Priorities: Homes																
Aims: Other																
Performance Indicators																
Title	Prev Year (Period)	Prev Year End	Annual Target	Apr Act	May Act	Jun Act	Jul Act	Aug Act	Sep Act	Oct Act	Nov Act	Dec Act	Jan Act	Feb Act	Mar Act	Actual to
<u>Dwelling rent lost due to voids</u>			no target - for information only													
<u>Average Days to Re-Let Local Authority Housing</u>	16.6days (8/12)	15.7days	16.0days	14.0days	13.9days	14.9days	14.1days	13.8days	14.3days	14.4days	14.0days					14.0days

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## Risk Report Appendix 6

Report for 2017-2018

Filtered by Flag: Include: \* CRR 5+ / 15+

For MDDC - Services

Filtered by Performance Status: Exclude Risk Status: Low

Not Including Risk Child Projects records or Mitigating Action records

Key to Performance Status:

Risks: No Data (0+) High (15+) Medium (6+) Low (1+)

### Risk Report Appendix 6

**Risk: Affordable and Council Housing Demand** Housing supply does not meet local demand or reflect demographic shifts like increased demand for single occupancy

**Effects (Impact/Severity):**

- Increased costs for paying for private accommodation to house homeless
- Increase in number of homeless people in Mid Devon

**Causes (Likelihood):**

- Impact of economic downturn and reduced funding has reduced number of affordable housing units being built
- Under-occupation in existing stock
- Reduction in number of Right to Buys results in less HRA funding available for new builds

Service: Housing Services

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Claire Fry

**Review Note:** There is still a significant deficit between permissions granted and build-out rates

**Risk: Asset Management** • The Council may not be optimising its portfolio of assets

- Assets purchased without prior approval may not be supported by Council policies and systems
- Misuse of assets could have a financial impact to the Council
- Inadequate inventory records could invalidate insurance claims, disrupt the business continuity process and hide instances of theft
- Failure to maintain the Asset Management Strategy could result in an inefficient use of resources

Not making a commercial ROI

**Effects (Impact/Severity):** • Theft of stocks and stores

**Causes (Likelihood):** • Mismanagement of stocks and stores

Service: Property Services

**Current Status: Medium (12)**

**Current Risk Severity: 3 - Medium**

**Current Risk Likelihood: 4 - High**

Service Manager: Andrew Busby

**Review Note:** Capital Asset Management Strategy 2016-2020 on the website

## Risk Report Appendix 6

### **Risk: Car Parks** Car Park Overcrowding

#### **Effects (Impact/Severity):**

#### **Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Darren Beer

#### **Review Note:**

### **Risk: Commercial Land supply** Failure to identify commercial land supply will stunt economic growth

#### **Effects (Impact/Severity):**

#### **Causes (Likelihood):**

Service: Planning

**Current Status: High**  
(15)

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

**Current Risk Likelihood: 3 - Medium**

Service Manager: Jenny Clifford

#### **Review Note:**

### **Risk: Contingency - Business Continuity** The Council fails to have an effective Business Continuity Plan in place that is up-to-date and complements the Emergency Plan, Disaster Recovery Plan and Risk Management Plan leading to service failure and loss in reputation.

**Effects (Impact/Severity):**

- Staff are not enabled or adequately prepared to deal with incidents in the event that senior managers are unavailable
- Poor management of a major incident will affect the Council's reputation
- There is a risk to decision-making processes and maintaining quorate committees in the event of loss of Members.
- Software Failure, leading to potential inability to pay staff, creditors, benefits etc and inability to access key data affecting service delivery and customer experience
- Increase in workforce homeworking

**Causes (Likelihood):**

- Severe weather including snow, flooding and heatwaves can cause disruption to normal service operation
- Severe space weather can cause disruption to a range of technologies and infrastructure, including communications systems, electronic circuits and power grids. The next period of such solar activity is forecast to occur around May 2013.
- There are predictions of scheduled power cuts from 2015. Failure to plan for this and implement contingency procedures will affect service delivery.
- Fuel strikes
- Industrial action

Service: Governance

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Catherine Yandle

## Risk Report Appendix 6

**Review Note:** Use of Business Continuity Template from DEPS launched in December and published on SharePoint for use

**Risk: Dangerous Equipment** Risks associated with using powered equipment and machinery or that which has moving parts eg fans, woodworking machines, abrasive wheels. Also risks with using powered portable tools eg electric drill, off-hand grinders as well as manual tools eg knife, guillotine.

There are risks that some equipment may produce electromagnetic interference with pace-makers.

**Effects (Impact/Severity):** High if no PPE worn or risk assessments not followed

**Causes (Likelihood):** medium if procedures followed.

**Service: Property Services**

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Andrew Busby**

**Review Note:**

**Risk: Decline in National Macro-economics** A decline in national macro-economics could result in level of influence by local government being limited and having little or no impact on local economic activity

**Effects (Impact/Severity):** High - Inability to meet Council objectives, customer requirements or financial commitments

**Causes (Likelihood):** High - no control over macro-economics but Council objectives and action plan currently in process to increase local economic activity

**Service: Community Development**

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: John Bodley-Scott**

**Review Note:**

**Risk: Economic Development Service** Failure to promote economic activity within the District will suppress the potential for new jobs and increased prosperity for residents

A continuing economic recession could jeopardise our ability to achieve corporate objective of 'A Thriving Economy'

**Effects (Impact/Severity):** - Inability to meet Council objectives

- A lack of inward investment

- Uncertain economic recovery, impact on employment and infrastructure development

**Causes (Likelihood):** - Decline in national macro-economics

**Service: Community Development**

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Adrian Welsh**

## Risk Report Appendix 6

**Review Note:** Economic Strategy currently being prepared which will focus the District Council's intervention in a more focused way and will also enable improved monitoring for this risk.

### **Risk: Electrical testing** Risk of electrocution or fire in Council Properties

**Effects (Impact/Severity):** Failure to carry out periodic electrical testing could result in the risk of electrocution or fire.

**Causes (Likelihood):**

**Service: Housing – Building Maintenance**

<b>Current Status: No Data</b>	<b>Current Risk Severity: 5 - Very High</b>	<b>Current Risk Likelihood: 1 - Very Low</b>
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**Service Manager: Mark Baglow**

**Review Note:** Every Council property is tested every 5 years as part of the cyclical testing programme.

### **Risk: Evictions** Tenants being evicted could become violent.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Housing Services**

<b>Current Status: Medium (10)</b>	<b>Current Risk Severity: 5 - Very High</b>	<b>Current Risk Likelihood: 2 - Low</b>
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**Service Manager: Claire Fry**

**Review Note:** The pre-eviction risk assessment identifies household composition and layout, and any issues such as mental health and drug use relating to the tenant(s) and their families as well as whether or not there are any dogs present at the property.

**Risk: First Aid availability** First Aid availability when maintaining green spaces etc. because of the nature of the work which can be in areas of limited access to emergency services and of a high risk all team members should be Emergency First Aid at Work (EFAW)

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Grounds Maintenance**

<b>Current Status: Medium (10)</b>	<b>Current Risk Severity: 5 - Very High</b>	<b>Current Risk Likelihood: 2 - Low</b>
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**Service Manager: Joe Scully**

**Review Note:** Staff trained 2 in Office  
Grass cutting all  
Arborist team all

**Risk: Five year housing land Supply** Risk: Housing land supply. Inability to demonstrate the required 5 year housing land supply (+20% ) until Local Plan Review approved

**Effects (Impact/Severity):** Effects (Impact /severity):

- Receipt of speculative housing applications in unplanned locations with less community benefit

## Risk Report Appendix 6

and less infrastructure / coordination compared with allocated sites.

- Objections

- Pressure on major application appeal performance (Government indicator of quality of decision making). Risk of intervention: loss of fee and less local control over major application decision making.

**Causes (Likelihood):** - Lack of sufficient housing completions, housing market conditions.

**Service: Planning**

**Current Status: High (15)**

**Current Risk Severity: 3 - Medium**

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

**Service Manager: Jenny Clifford**

**Review Note:** Found to not have sufficient housing supply at appeal. Mitigation principally via new Local Plan once adopted. Close monitoring of applications, decisions and associated appeal performance.

**Risk: GDPR compliance** That the Council cannot demonstrate that we are prepared for GDPR

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Governance**

**Current Status: High (15)**

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

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Catherine Yandle**

**Review Note:** The project team meet weekly, progress is steady

**Risk: H&S RA - Recycling Depot Operatives** Risk assessment for role - Highest Risks scored - Vehicle Movements inside Depot/Risk of Fire

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Street Scene Services**

**Current Status: No Data**

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

**Current Risk Likelihood: 2 - Low**

**Service Manager: Stuart Noyce**

**Review Note:** No incidents or further mitigating actions added.

## Risk Report Appendix 6

**Risk: H&S RA - Refuse Driver/Loader** Risk Assessment for Role - Highest risk from role RA. - Risk of RTA from severe weather conditions

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

Current Status: No Data

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

**Review Note:** Annual review - No incidents or further mitigating actions added.

**Risk: H&S RA - Street Cleansing Operative** Risk assessment for role - highest risk from role - Risk of RTA from severe weather conditions

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

Current Status: No Data

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Stuart Noyce

**Review Note:** Risk with control measures added

**Risk: Hoarding** Some tenants are known hoarders but we have policies in place and we do regular inspections.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Claire Fry

**Review Note:** Staff are trained to respond to such issues and we have a policy setting out our approach to this type of management issue.

**Risk: Homelessness** Insufficient resources to support an increased homeless population could result in failure to meet statutory duty to provide advice and assistance to anyone who is homeless.

**Effects (Impact/Severity):** - Dissatisfied customers and increase in complaints.

- This will involve an increase in officer time in dealing with Homelessness prevention and early intervention.

- Possible increase in temporary accommodation usage.

**Causes (Likelihood):** - Social and economic factors like the recession and mortgage repossessions increase the number of homeless.

- Lack of private sector housing.

Service: Housing Services

## Risk Report Appendix 6

**Current Status: High**  
(16)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 4 - High**

**Service Manager: Claire Fry**

**Review Note:** Homelessness strategy to be reviewed early 2018.

**Risk: Impact of Welfare Reform and other emerging National Housing Policy** Changes to benefits available to tenants could impact upon their ability to pay. Other initiatives could impact upon our ability to deliver our 30 year Business Plan.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Housing Services**

**Current Status: High**  
(15)

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

**Current Risk Likelihood: 3 - Medium**

**Service Manager: Claire Fry**

**Review Note:**

**Risk: Inadequate gas appliance maintenance and certification** Failure to maintain service of our gas appliances on an annual basis could result in death and prosecution

**Effects (Impact/Severity):**

**Causes (Likelihood):**

**Service: Housing – Building Maintenance**

**Current Status: No Data**

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

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

**Service Manager: Mark Baglow**

**Review Note:** Legislation requires Landlords to ensure that annual gas safety checks are carried out in properties with any fixed gas appliances regardless of ownership. Within the Councils domestic housing stock this is done in line with the current standards and best practice, and is monitored by the Gas and Database Administrator.

**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: High**  
(20)

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

**Current Risk Likelihood: 4 - High**

**Service Manager: None**

## Risk Report Appendix 6

**Review Note:** Increased awareness training for all staff and members, Information Security training calendar to ensure all year reminders.  
Trialing systems to send phishing emails to staff as training tool.

### **Risk: Legionella** Legionella

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium**  
(10)

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Darren Beer

**Review Note:**

- Monthly bacteriological tests carried out by Environmental Health
- Property services organise – flushing of tanks & systems and bacteriological tests.
- Showerheads disinfected monthly and results recorded

### **Risk: Local Plan** Whether the Inspector will find the Plan unsound

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Planning

**Current Status: Medium**  
(10)

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Jenny Clifford

**Review Note:** Steps taken to mitigate risks by commissioning additional work to strengthen evidence base.

### **Risk: Lone Working** Risks associated with working alone (eg on site visits, call-outs, evening, weekend and emergency work and working from home).

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Property Services

**Current Status: Medium**  
(12)

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Andrew Busby

**Review Note:**

### **Risk: New Homes** A low housing build rate would equal less affordable housing resulting in a reduction in potential New Homes Bonus

**Effects (Impact/Severity):** - Loss of Affordable Housing Income Section 106

- Failure to meet targets in Development Plan

- Potentially unallocated sites being developed as 5-year housing supply reduces

## Risk Report Appendix 6

### Causes (Likelihood):

Service: Planning

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Jenny Clifford

### Review Note:

**Risk: Overall Funding Availability** Changes to Revenue Support Grant, Business Rates, New Homes Bonus and other funding streams in order to finance ongoing expenditure needs.

### Effects (Impact/Severity):

### Causes (Likelihood):

Service: Financial Services

**Current Status: High  
(15)**

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

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Andrew Jarrett

**Review Note:** Mitigation – Local and national working groups and advice from experts – liaise with DCLG and then attempt to model/plan.

**Risk: Pannier market general risk assessment** General risk assessment for the market's day to day operation

**Effects (Impact/Severity):** Score of 5 as their appears to be a movement in the structure causing the glass doors to bow

**Causes (Likelihood):** Survey done, not weight bearing. Market manager is inspecting regularly.

Service: Pannier Market

**Current Status: Medium  
(10)**

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

**Current Risk Likelihood: 2 -  
Low**

Service Manager: Zoë Lentell

### Review Note:

**Risk: Plant Room** Plant Room

### Effects (Impact/Severity):

### Causes (Likelihood):

Service: Leisure Services

**Current Status: Medium  
(10)**

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

**Current Risk Likelihood: 2 -  
Low**

Service Manager: Darren Beer

**Review Note:**

- Only authorized personnel to enter storage areas
- Pool plant operator certification required by operators
- Backwash only when pool not in use
- Planned storage of combustible materials
- Staff carry two way radios.

## Risk Report Appendix 6

### Risk: Pool Inflatable Pool Activities

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Darren Beer

**Review Note:**

### Risk: Power Take Off (PTO)shaft use That the PTO shaft is not correctly guarded

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Grounds Maintenance

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Joe Scully

**Review Note:** Locking mechanism on the universal joint must be engaged successfully before engaging the PTO. Safe systems of work item

### Risk: Premier Inn Construction site Increased difficulty in management of the car parking facility while the Premier Inn is being built

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Property Services

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Andrew Busby

**Review Note:** Enabling meeting with the contractor 24 July 2017

### Risk: Recycling Income Reduction in material income levels due to market forces.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Street Scene Services

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: None

**Review Note:** With China banning imports of recycling materials in the New Year this risk is currently at a higher level

## Risk Report Appendix 6

**Risk: Reputational damage - social media** impact of reputational damage through social media is a significant risk that warrants inclusion on the Authority's risk register.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Communications

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: None

**Review Note:**

**Risk: Reputational re Council Housing Stock** Handling a disaster/mistake properly would prevent any reputation damage.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Claire Fry

**Review Note:**

**Risk: Safeguarding Awareness** Failure to ensure that awareness of safeguarding issues and what to do if one's suspicions are raised are not adequately dissipated throughout the council.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Safeguarding

**Current Status: Medium (10)**

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

**Current Risk Likelihood: 2 - Low**

Service Manager: Nicola Cuskeran

**Review Note:** Compulsory training for all staff has been re-launched.

Policy reviewed and updated annually

Councillor briefing given

Recent audit

## Risk Report Appendix 6

### Risk: School Swimming Sessions School Swimming Sessions

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium  
(10)**

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

**Current Risk Likelihood: 2 -  
Low**

Service Manager: Darren Beer

**Review Note:**

**Risk: Stress** The physical and mental well-being of Officers could be affected by work environment and pressures caused by work demands and work relationships.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium  
(12)**

**Current Risk Severity: 4 -  
High**

**Current Risk Likelihood: 3 -  
Medium**

Service Manager: Claire Fry

**Review Note:** In the case of potential stress and related conditions, Managers should undertake regular supervision meetings to monitor the situation and provide support.

### Risk: Swimming Lessons Swimming Lessons

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium  
(10)**

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

**Current Risk Likelihood: 2 -  
Low**

Service Manager: Darren Beer

**Review Note:**

### Risk: Swimming Pool Swimming pool & spectator walkway

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Leisure Services

**Current Status: Medium  
(10)**

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

**Current Risk Likelihood: 2 -  
Low**

Service Manager: Darren Beer

**Review Note:**

## Risk Report Appendix 6

**Risk: Tenants with Complex Needs** As our housing stock shrinks, the proportion of such tenants will increase.

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Housing Services

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Claire Fry

**Review Note:** Good links with other partners including the Police, Social Services, support agencies etc.

**Risk: Welfare Reform Act - Benefits** Failure to implement and communicate the new benefits framework effectively could result in applications not being completed in time

**Effects (Impact/Severity):** If the changes from current benefits system to Universal Credit go ahead, the system will require greater staff resource

**Causes (Likelihood):** Will now happen

Service: Revenues - Benefits

**Current Status: No Data**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Andrew Jarrett

**Review Note:**

**Risk: Workplace Welfare** The provision of adequate welfare arrangements is important both in terms of complying with the law and keeping the workforce happy. People tend to perform better and be happier at their work if they are working in a safe and healthy environment. Workplace welfare includes the working environment (such as ventilation, noise, temperature, lighting, humidity, space, workstations and seating), welfare facilities (provision of drinking water, rest room and sanitary facilities including toilets, wash basins and showers), workplace safety and housekeeping (cleanliness and waste disposal).

**Effects (Impact/Severity):**

**Causes (Likelihood):**

Service: Legal Services

**Current Status: Medium (12)**

**Current Risk Severity: 4 - High**

**Current Risk Likelihood: 3 - Medium**

Service Manager: Kathryn Tebbey

**Review Note:** The risk is not well-related to Legal Services. The risk for Legal Services is from a constant high workload leading to burnout and stress. Some of this will be alleviated through improved systems, but this may prove insufficient mitigation.

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# Risk Matrix

## Report For MDDC - Services Current settings

<b>Risk Likelihood</b>	<b>5 - Very High</b>	<b>No Risks</b>	<b>1 Risk</b>	<b>1 Risk</b>	<b>No Risks</b>	<b>No Risks</b>
	<b>4 - High</b>	<b>No Risks</b>	<b>No Risks</b>	<b>1 Risk</b>	<b>2 Risks</b>	<b>2 Risks</b>
	<b>3 - Medium</b>	<b>No Risks</b>	<b>3 Risks</b>	<b>13 Risks</b>	<b>14 Risks</b>	<b>4 Risks</b>
	<b>2 - Low</b>	<b>4 Risks</b>	<b>16 Risks</b>	<b>39 Risks</b>	<b>34 Risks</b>	<b>25 Risks</b>
	<b>1 - Very Low</b>	<b>6 Risks</b>	<b>10 Risks</b>	<b>11 Risks</b>	<b>14 Risks</b>	<b>23 Risks</b>
		<b>1 - Very Low</b>	<b>2 - Low</b>	<b>3 - Medium</b>	<b>4 - High</b>	<b>5 - Very High</b>
		<b>Risk Severity</b>				

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## AUDIT COMMITTEE 23 JANUARY 2018

### PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN

**Cabinet Member** Cllr Clive Eginton, Leader  
**Responsible Officer** Catherine Yandle, Group Manager Performance, Governance and Data Security

**Reason for Report:** To provide the Committee with an update on progress made against the Annual Governance Statement 2016/17 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 progress against the Annual Governance Statement Action Plan could result in comment from the external auditors when they next review the Annual Governance Statement.

**Equality Impact Assessment:** No equality issues identified for this report.

#### 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 Audit Committee approved it on 17 July 2017.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 Items 4 & 5 were combined but while progress has been made on 4 more work is needed and number 5, while desirable now, will not be a requirement until the 2017/18 financial statements in May 2018.
- 1.4 Two actions on the plan are overdue and have been re-scheduled (items 7 & 8); the staff charter (7) has been launched but will also be included in the staff induction training modules with ethics (8) which will be in place from 1 April.
- 1.5 The new Communication & Consultation Manager started on January 8, the two action points (10 & 11) regarding community engagement allocated to her for attention have a revised date for progress to be made by.

1.6 Six items are complete with three not yet due. A further progress report will be brought to the next Audit Committee meeting.

**Contact for more Information:** Catherine Yandle Group Manager Performance, Governance and Data Security ext 4975

**Circulation of the Report:** Management Team and Cllr Clive Eginton

**List of Background Papers:** None

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
1. A peer review of the standards regime was carried out which identified various improvements were necessary.	Subject to the amendment of some wording the Code of Conduct for Councillors and Co-opted Members was recommended to Full Council for Approval.	Standards Committee 4 April  Full Council 26 April	April 2017  
2. The Peer challenge identified a number of recommendations that the council could consider to drive future performance.	Report to Scrutiny outlining how the council intends to take these recommendations on board.	Chief Executive  Report to Scrutiny 14 August	August 2017  
Page 47 It was identified that reporting too many low level risks was distracting attention from more critical risks.	Reporting criteria changed on SPAR to report only risks scoring over 10.	Group Manager for Performance, Governance and Data Security  First report using the new criteria Environment PDG 16 May	April 2017  
4. More benchmarking information is needed and stronger links between financial and performance monitoring.  Evidence that budgets, plans and objectives are aligned.	Link between finance and performance to be reinforced in Service Business Plans for 2018/19.	Director of Corporate Assets and Resources  Have subscribed to LG Inform Plus which benchmarks against all authorities in England  Ongoing process of Continuous Improvement	<del>September 2017</del> October 2017  

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
5. Service plans demonstrate consideration of 'social value'.	Integrated Reporting will become a requirement for 2017/18 Financial statements onwards	Group Manager for Performance, Governance and Data Security	May 2018
6. Corporate plan priorities and targets are still not effectively cascaded throughout the Council	Leadership Team have commenced 6 monthly Q & A sessions for all staff and also Chat with the Chief	Leadership Team  First 2 sessions were 12 April  Next 3 sessions were w/c 16 October	April 2017  
7. Staff Charter to communicate expected values and behaviours	Issue a staff charter to all staff for their agreement	Director of Business Transformation and Corporate Affairs  Launched – will be put on new learning and development software (see below)	August 2017  December 2017  
8. We don't include ethics awareness in the staff induction training at present	Include ethics training in the new induction process	Director of Business Transformation and Corporate Affairs  New staff learning and development software includes this module; we will be licensed to use it from 1 April.	July 2017  April 2018  

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
<p>9. The current economic situation is likely to continue to see a reduction in the number of staff employed by the Authority. We have identified that this presents a potential risk to our ability to retain the skills and experience needed. Measures are being implemented to combat this risk.</p>	<p>Aspiring Managers Scheme Skills Audit</p>	<p>Director of Business Transformation and Corporate Affairs  12 month programme - launched April 2017</p>	<p>April 2017  </p>
<p>10. Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity is a problem.</p> <p>11. We need processes for dealing with competing demands on the budget from the community</p>	<p>The gap has been recognised and a post has been approved</p>	<p>Director of Business Transformation and Corporate Affairs  Communication &amp; Consultation Manager appointed started on January 8</p>	<p>December 2017  March 2018  </p>
<p>12. We have some matters to address where we assessed Internal Audit as “P” i.e. Partial Compliance.</p>	<p>Address areas with “P” assessment via Quality Assurance Improvement Plan (QAIP)</p>	<p>DAP Audit Manager</p>	<p>September 2018</p>

## Annual Governance Statement 2016-17 Action Plan

Issues Identified	Action to be taken	By whom/Progress made	When by end of...
13. A gap analysis against the GDPR has identified areas which need improvement	<p>Ensure we have all necessary data sharing agreements in place</p> <p>Ensure we have done information audits on our “top 10”</p> <p>Roll out training to all staff and Members</p>	<p>Data Protection Officer</p> <p>91% of information audits done</p> <p>Work on data sharing and privacy notices has commenced</p> <p>Awareness training and Q &amp; A session have been run, will be attending team meetings</p>	May 2018
<p>Page 50</p> <p>We need to arrange Public Sector Equality duty training</p>	Programme of awareness and training	<p>Group Manager for Performance, Governance and Data Security</p> <p>Members 16 May however very poorly attended so re-run before Full Council 25 October</p> <p>SOF 28 June</p>	<p><del>June 2017</del></p> <p>October 2017</p> <p></p>

Internal Audit

# Audit Progress Report 2017-18

Mid Devon District Council  
Audit Committee

Page 51  
January 2018

Robert Hutchins  
Head of Audit Partnership

Auditing for achievement

Agenda Item 8.

## Introduction

The Audit Committee, under its Terms of Reference contained in Mid Devon District Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 introduced the requirement that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2017/18 was presented and approved by the Audit Committee in March 2017. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2017/18, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this progress report

Audit Committee members are requested to consider:

- the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework and satisfy themselves from this assurance that the internal control framework continues to be maintained.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

**Overall, based on work performed during 2017/18 and our experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.**

*This opinion statement will support Members in their consideration for signing the Annual Governance Statement.*

Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans is the responsibility of management yet may be reviewed during subsequent audits or as part of a specific follow-up process.

Directors and Senior Management have been provided with details of Internal Audit's opinion on each audit review to assist them with compilation of their individual annual governance assurance statements at year end.

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.
<b>Significant Assurance</b>	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.
Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
No Assurance	Risks are not mitigated and weaknesses in control, and / or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Executive Summary of Audit Results

**Core Audits** are well underway covering the Council's key financial controls or the level of income is material in the context of the Council's annual accounts.

The Findings of particular interest include:

- reconciliation of control accounts and for completeness of processing and accuracy or error have received comment in areas in the last progress report and here in few reports income, payroll and alarm care.
- IR35 'off payroll' working legislation has not been tested in detail and though new engagements are covered existing engagements have not all identified and or tested against HMRC requirements.

No material issues have been identified to date.

**Systems Audits** the majority this work is complete with the remaining scheduled in the last quarter. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest include business continuity and assurance on fault closure in the alarm call service. No material non-availability of service has been detected yet the robustness of controls around this are not good which reduces assurance given.

Reviews in other areas including:

- electoral registration and
- insurance,

provide assurance of a sound internal control framework that is generally operating as required.

**Other Work** – we have started the audit planning process for next year with a review of both the annual and 4 year cycle. We are liaising with the Group Manager Performance, Risk & Data Security on planning requirements and in particular with focus to the Councils risk register and performance indicators.

Tender documents have been verified as usual covering:

- Colliers Bridge;
- Apprenticeship Training and Assessment Provider.

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can and we believe internal audit activity has added value to the organisation and its stakeholders by:

- Providing objective and relevant assurance;
- Contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

Feedback has led us to change the clearance process of audit findings with the introduction of a debrief at the close of audit. This will bring the feedback to an earlier stage and smooth the clearance process of the draft report.

Recent audit feedback surveys have stated:-

*"excellent, efficient and professional staff"*

*"Audit confirmed we were on the right track and backed up concerns we had reported."*

We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

## Audit Coverage and Performance Against Plan

Performance against plan is generally as expected. Changes have been agreed with management;

- Grounds Maintenance replaced with PCI to be scheduled.
- Support for investigations.

Resources have been targeted to support the changes in a continually evolving organisation.

The pie charts right shows the progress of audit against plan. The work completed is primarily systems work where the majority of the core work is scheduled for the second half of the year and has recently commenced.

Our planned audit of Housing Options – Homelessness has been deferred until the spring at the client request to fit better with proposed changes with legislation.

Appendix 1 to this report provides a summary of the audits undertaken during 2017/18, along with our assurance opinion. Where a "high standard" or "good standard" of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of "improvements required" has been provided then



issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

**Key performance indicators** on progress against audit recommendations reveals that the council is making progress though there remain several recommendations outstanding from prior year audits. See appendix 2.

## Fraud Prevention and Detection

We have completed three reviews:

- leisure centre income security and financial operations;
- vehicle accident complaint.

Reports and action were taken through Finance and Human Resources as appropriate.

## Appendix 1 – Summary of audit reports and findings for 2017/18

### Risk Assessment Key

Spar – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available

### Direction of Travel Assurance Key

Green – action plan agreed with client for delivery over an appropriate timescale;  
 Amber – agreement of action plan delayed or we are aware progress is hindered;  
 Red – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.

### TRANSFORMATION AND CHANGE

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		Direction of Travel Assurance	
<b>Core Audit – Key Financial Systems</b>						
<b>Payroll</b> Risk / ANA: ANA – High Spar 4x1=4very low/green Page 55	Good Standard  Status: Final	The systems and controls generally mitigate the risks identified with few weaknesses identified. The Payroll Manager has worked hard to ensure controls are robust within a small team. Completeness of control account reconciliations on a regular rolling basis would improve assurance.  The new IR35 ‘off payroll working’ legislation has been implemented where new contracts are tested through procurement. However, retrospective testing of existing arrangements has not been completed and we feel there may be contracts in place that have not been tested for HMRC compliance.	4	7	1	
<b>Income and Cash Collection</b> Risk / ANA: ANA – High Spar 4x2=8 low/orange	Good Standard  Status: Final	Overall, the Income and Cash Collection system operates effectively. The procedures for cashier processes are clear and recognised though some are in need of update. There are improvement opportunities in security arrangements some of which the Council has already recognised and is implementing and others identified in our review.	0	3	2	
<b>Creditors</b> Risk / ANA: ANA – High Spar 3x1=3very low/green	Good Standard  Status: Final	Overall, the creditors system operates very efficiently with a very high percentage of invoices paid within terms. A sound framework of internal control is operating. The finance service has identified the need for improvements in processing the non-order invoices, and this was confirmed through our testing. Finance are working with the ICT section to develop a new process which should ensure the validation and authorisation process for these invoices.  Reimbursement for some work related travel and subsistence claims are incorrectly being processed as petty cash claims; although receipts and authorisation are being obtained, these types of reimbursements increase the risk of duplicate payments and non compliance with HMRC tax requirements.	1	0	3	

**TRANSFORMATION AND CHANGE**

Audit Report						
Risk Area / Audit Entity	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
<b>Systems Audits – Risk Based</b>						
<b>Electoral Services</b> Spar 5x2=10 low/orange	High Standard Status: Final	Overall, systems for Electoral Registration and Elections provides a sound control framework and were found to be operating well in practice.	0	0	0	
<b>Care Services – Alarm Call</b> Risk / ANA: ANA –Medium Spar:	Good Standard Status: Final	The process, procedures and operationally the service is effective and operating well. Controls to ensure that all calls are dealt with promptly and income is fully collected need improvement. No material error was found though the weakness in these controls reduces this assurance. Security of paper records requires improvement to meet data protection requirements.	5	3	0	
<b>ICT Inventory</b> Risk / ANA: ANA – Low Spar: 56	Good Standard Status: Final	We found a good level of overall control to be in place, with effective arrangements covering the maintenance of inventories and the keeping of records of action taken / outcomes. Controls were particularly effective in the areas of acquisition and disposal of assets and for ensuring that the requirements of the Council's insurance cover are met. However, we identified a number of weaknesses around the processes for ensuring that all equipment issued to staff is returned when they leave the Council and around the controls for encrypted USB drives and we make recommendations to address these points.	2	7	0	
<b>Insurance</b> Risk / ANA: ANA – Low Spar 3x2=6 low/orange	Good Standard Status: Final	Insurance has a good control environment provided by the processes and practices in place and the overview of quarterly monitoring to address possible consistent/repetitive incidents. There is a higher caseload of claims this year and with the impending change in insurance provider there needs to be more time spent on pro-active work to try and resolve outstanding claims to a satisfactory level and to avoid complications with the change in supplier.	1	2	1	

The following audits are either in progress or to be started imminently.  
Main accounts, Council Tax and NNDR, housing benefits and trade waste

## Appendix 2 – Performance Indicators

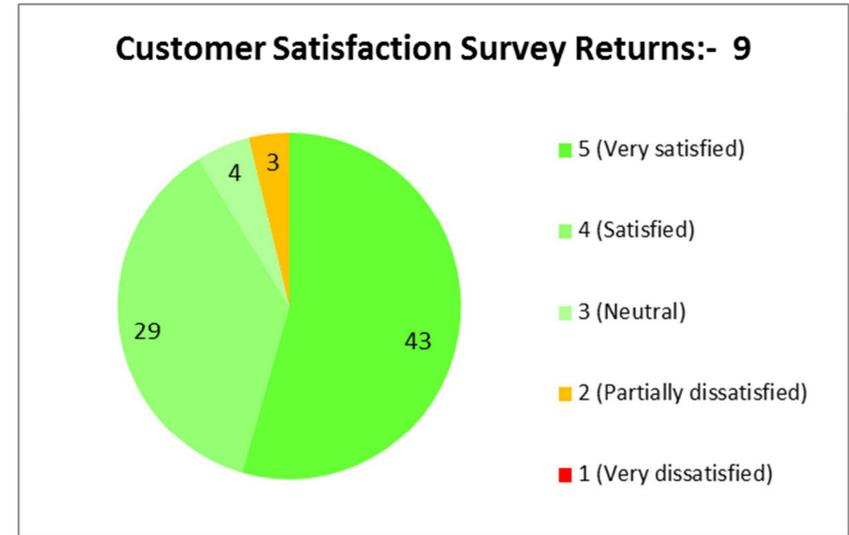
Incomplete Audits	Year	Recommendations									Direction of Travel R,A,G			
		High			Medium			Low				Total		
		C	N	O	C	N	O	C	N	O		C	N	O
Car Park Income	2016				3	2				3	0	2	R	
Council Tax/NNDR	2016				5	3				5	0	3	R	
Creditors	2016					1	1			0	1	1	R	
Housing Rents	2016				2	1				2	0	1	R	
ICT Core	2016	1			6			2	1	9	0	1	R	
Income & Cash Collection	2016				4	0	1			4	0	1	R	
Trade Waste	2015				8	2				8	2	0	G	
Treasury	2016							1	1	1	0	1	G	
Appraisals & Training	2015	1			13	1	2			16	0	1	R	
Cemeteries & Bereavement	2016				5	1				5	0	1	R	
District Offices	2017						8	1		1	0	8	R	
Electronic Payments/ Online Forms	2017			1		3				0	3	1	R	
Emergency Planning	2015				3	1			1	3	0	2	R	
Environmental Health	2017					13	2		1	0	14	2	G	
Housing H&S Management	2017	2			6	1	2			8	1	2	G	
Insurance	2015						1			0	0	1	R	
Legal Services	2015				2	1	1			2	1	1	R	
Leisure CVSC	2015				5	1				5	0	1	R	
Leisure EVLC	2016				6	1				6	0	1	R	
Licensing	2016	1			5	1				6	0	1	R	
Planning - Enforcement	2017					1	5			0	1	5	R	
Procurement - Contract register	2017				7					7	0	0	G	
Recruitment & Selection & JE	2015				6	1		5		11	1	0	G	
Safeguarding	2017			1		3	1			0	3	2	R	
Sickness & Other Time Off	2016				6	1	1			6	1	1	R	
Standby	2016				2	1				2	0	1	R	
Travel & Subsistence	2017			2			2		1	0	0	5	R	
Vehicles & Fuel	2015	5			4	2	1			9	2	1	R	
Customer Care & Complaints	2017					6			1	0	7	0	G	
		10	0	4	98	35	39	11	2	4	119	37	47	

CORE
SYSTEM

**C = Completed** 59%  
**N = Not yet due** 18%  
**O = Overdue** 23%

Not progressing   
 Progressing some   
 Overdue   
 On Target 

## Customer Satisfaction



The results are good with 96% positive feedback to survey questions.

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## Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Devon & Torridge councils. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.

The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk).

## AUDIT COMMITTEE 23<sup>RD</sup> JANUARY 2018

### INTERNAL AUDIT CHARTER & STRATEGY 2018-19

**Cabinet Member**                      Councillor Peter Hare-Scott  
**Responsible Officer**                Audit Team Manager, David Curnow

**Reason for Report:** To present the Committee with the Internal Audit Charter and Strategy for effective operation of the internal audit service.

#### RECOMMENDATIONS:

- a) The Committee approves the Internal Audit Charter (Appendix 1).
- b) The Committee approves the Internal Audit Strategy (Appendix 2).

**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 delivery and coverage would mean that the Internal Audit Manager cannot form a reliable opinion as to the effectiveness of MDDC's internal control environment.

**Legal Implications:** None arising from this report.

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

**Equality Impact Assessment:** No equality issues identified for this report.

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for this financial year is set out in detail in the report attached.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
  - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
  - cover the arrangements for appropriate resourcing;
  - define the role of internal audit in any fraud-related work; and
  - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon, Plymouth, Torbay Torridge & Mid Devon Councils in accordance with the agreed internal audit plan.

**Contact for more Information:** David Curnow, Audit Team Manager

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

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## **MID DEVON DISTRICT COUNCIL**

### **INTERNAL AUDIT CHARTER (March 2018)**

#### **MISSION**

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

#### **TERMS OF REFERENCE**

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

#### **DEFINITIONS**

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as “an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

The PSIAS set out the requirements of a 'Board' and of 'Senior Management'. For the purposes of the internal audit activity within The Council the role of the Board within the Standards is taken by the Council's Audit Committee and Senior Management is the Council's Leadership Team.

The PSIAS make reference to the role of “Chief Audit Executive”. For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

#### **STATUTORY REQUIREMENTS**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

*5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.*

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the Director of Finance, Assets & Resources is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for The Council is provided by Devon Audit Partnership (DAP). We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of The Council, adding value whenever possible.

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to The Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

### **Our Ethics**

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditor's. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

### **Being Independent**

Internal Audit should be independent of the activities that it audits.

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Chief Executive, the S.151 Officer and the Chair of the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Partnership / Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

### **AUTHORITY**

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and

- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the HoDAP, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Directors
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

## **ACCOUNTABILITY**

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Audit Executive at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Director of Finance, Assets & Resources ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- approving the internal audit charter;
- approving the risk based internal audit plan and resources;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

The HoDAP has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

## **RESPONSIBILITIES**

The Chief Executive, Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Director of Finance, Assets & Resources 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The HoDAP will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping him/her meet his/her obligations under the Local Government and Housing Act 1989 and the Council's Constitution. The HoDAP will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management;
- appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- working in partnership with other bodies to secure robust internal controls that protect the Council's interests;
- advising on internal control implications of new systems;
- providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation;
- being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

## **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:-:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and

- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The HoDAP should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

## **INTERNAL AUDIT PLAN AND RESOURCES**

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The HoDAP will:

- develop, in consultation with Directors, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

## **REPORTING**

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the

control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- to give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- to recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken;
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

The Council's Audit Committee will act as the Board as defined in the Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 2 Article 9 – Audit Committee).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the HoDAP will:

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;

- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## **CHARTER – NON CONFORMANCE AND REVIEW**

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.

**Devon Audit Partnership**

**March 2018**

**Auditing for achievement**

## **MID DEVON DISTRICT COUNCIL**

### **INTERNAL AUDIT STRATEGY (March 2018)**

#### **1 INTRODUCTION**

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

The PSIAS refers to the role of Chief Audit Executive, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For The Council, the role of Chief Audit Executive is provided by the Head of Devon Audit Partnership.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

- is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- will communicate the contribution that Internal Audit makes to the organisation and should include:
  - internal audit objectives and outcomes;
  - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
  - how Internal Audit's work will identify and address significant local and national issues and risks;
  - how the service will be provided, and
  - the resources and skills required to deliver the Strategy.
- should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

The primary objective of Internal Audit is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

As stated above, one of the key objectives of Internal Audit is to communicate to management an independent and objective opinion on the governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The Head of Devon Audit Partnership will also provide a written annual report to the Audit Committee, timed to support their recommendation to approve the Annual Governance Statement, to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee will:

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;

- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

##### *Assignment planning*

Further planning and risk assessment is required at the commencement of each individual audit assignment to establish the scope of the audit and the level of testing required.

#### **5 PROVISION OF INTERNAL AUDIT**

The Internal Audit for The Council is provided by Devon Audit Partnership

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is reviewed and updated to reflect changes in working practices and standards.

##### **Internal Audit Performance Management and Quality Assurance**

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self assessment); and
- an action plan to implement improvements.

### *Performance Measures and targets*

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

#### Internal Audit Performance Monitoring Targets.

<b>Performance Indicator</b>	<b>Full year target</b>
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

<b>Task</b>	<b>Performance measure</b>
Agreement of Annual audit plan	Agreed by Chief Executive, Leadership Team and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to Management and Audit Committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

The Head of Devon Audit Partnership is expected to ensure that the performance and the effectiveness of the service improves over time, in terms of both the achievement of targets and the quality of the service provided to the user.

#### *Customer (user) feedback*

The PSIAS and the Internal Audit Manual state that internal audit performance, quality and effectiveness should be assessed at two levels:

- for each individual audit; and
- for the Internal Audit Service as a whole.

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

#### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 92% of the elements; partially meet 5.5%; and are not required to or do not meet 2% (seven) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms\*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

\* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

## 6 RESOURCES AND SKILLS

### *Resources*

The PSIAS and the Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Chief Audit Executive (Head of Devon Audit Partnership) should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

Devon Audit Partnership currently has c.26 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in areas such as Computer Audit and Contracts Audit as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2017) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA (including QICA – computer audit)
- 1 x studying for IIA
- 11 x AAT qualified
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

### *Staff Development and Training*

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

**Devon Audit Partnership**

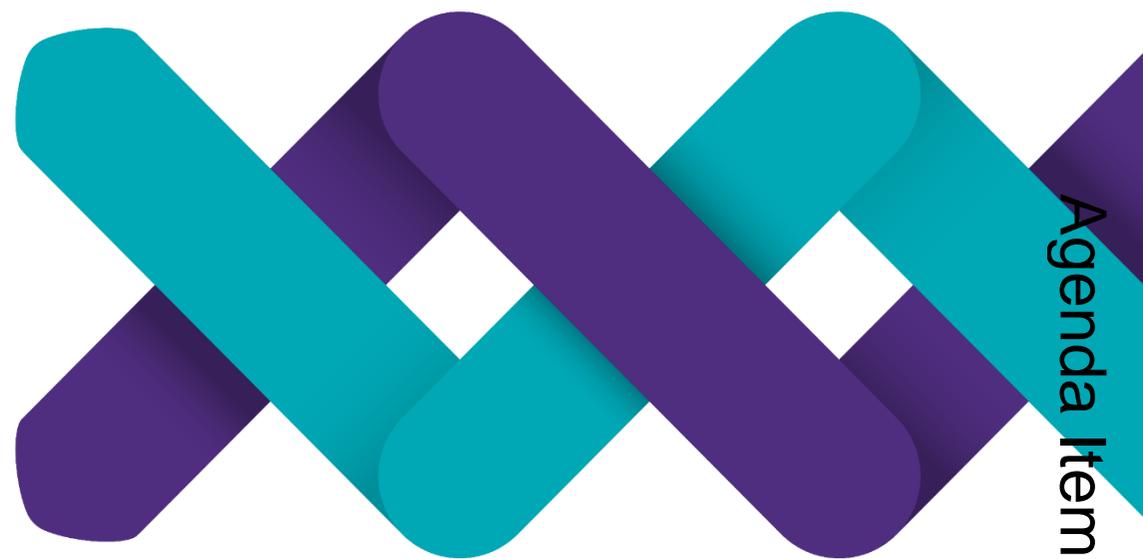
**March 2018**

**Auditing for achievement**

# Audit Progress Report and Sector Update

Mid Devon District Council  
Year ending 31 March 2018

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# Introduction



**Geraldine Daly**  
**Engagement Lead**

T 0117 305 7741  
M 07500 783 992  
E [geri.n.daly@uk.gt.com](mailto:geri.n.daly@uk.gt.com)



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**Andrew Davies**  
**Engagement Manager**

T 0117 305 7844  
M 07747 006 786  
E [andrew.davies@uk.gt.com](mailto:andrew.davies@uk.gt.com)

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 as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk).

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 Engagement Manager.

# Progress at January 2018

## Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We are due to commence our interim audit in February 2018. Our interim fieldwork visit will include:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report any findings from the interim audit to you in our Progress Report at the March Audit committee.

The statutory deadline for the issue of the 2017/18 opinion has been brought forward by two months to 31 July 2018. The Initial Audit plan has been included as a separate item on this agenda. Our planning is iterative and will continue throughout the interim and final accounts stages of our audit. Any changes to our initial Audit Plan will be communicated to you.

The final accounts audit is due to begin on the 1 June 2018 with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018 as it has been done over the past two years.

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that: "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "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".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We will make our initial risk assessment to determine our approach in January 2017 and have reported this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

## Other areas

### Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

### Meetings

We met with Finance Officers in November and January as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments to ensure the audit process is smooth and effective. As part of our ongoing liaison with Senior Officers of the Council we also met with the Chief Executive in November to discuss strategic priorities and plans for the forthcoming year.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our next event will be the Chief Accountants workshops which will be held in Bristol/Plymouth. Further details of the publications that may be of interest to the Council are set out in our sector update report on the members area.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2017/18.	April 2017	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Our audit plan is on the January 2018 Audit Committee agenda.
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Not yet due
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	June 2018	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	June 2018	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	July 2018	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2019	Not yet due

# Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# Through a local lens: SOLACE summit 2017

The Industrial Strategy matters to places but places also matter to the Industrial Strategy.

This was a strong message coming out of discussions at the recent SOLACE (Society of Local Authority Chief Executives) summit where we facilitated 100 local authority CEOs and senior leaders to consider how the Industrial Strategy could be brought to life at a local level.

For some time now we have engaged in an ongoing and inclusive dialogue with communities and business, local authority and third sector leaders from across the country, to share aspirations, ideas and insight focused on building a vibrant economy for the UK. These discussions have helped to form the basis of our Vibrant Economy 'Blueprint for the UK' and they will go on to inform our recommendations to Government around a place-based approach to the Industrial Strategy.

This year's summit provided us with an invaluable opportunity to take this dialogue further.

We focused on the integral role local government will have in delivering the Industrial Strategy. Delegates applied a local lens to the national growth agenda, encouraging them to consider what strategies and approaches were already working in their place; what they could be doing more of to support growth in their area, and how they could steer the Industrial Strategy agenda from a local level.

Using the appreciative inquiry technique, we discussed the following questions:

What role would leaders and local institutions be playing if they were delivering positive outcomes from the industrial strategy?

Looking ahead and considering our diverse local authority agendas, the industrial strategy and surrounding policy landscape what aspects might work well for everyone?



You can see and hear what delegates thought on our [website](#)

# Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

## Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



## Grant Thornton Publication

### Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



# Cost Assurance

## Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

### Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

# Overview of General Data Protection Regulation (GDPR)

## What is it?

GDPR is the most significant regulatory data protection development in 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

## What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25<sup>th</sup> May 2018.

### How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that might reasonably be used to identify a living individual, either directly or indirectly. Various unique identifiers (including online cookies and IP addresses) will likely fall within the scope of personal data

### What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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## Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

## Notifications and Rights

- Organisations must notify relevant incidents to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

## Claims and Fines

- Privacy regulators can impose penalties of up to €1 million on public sector organisations, for the most serious violations
- Individuals and representative organisations may be able to seek compensation for infringements of data protection rights

## GDPR

### Challenge question:

Can your authority effectively erase Personally Identifiable Data?

Have you appointed a Data Protection Officer?

How will your authority ensure citizens' data isn't duplicated across different information siloes without their knowledge?

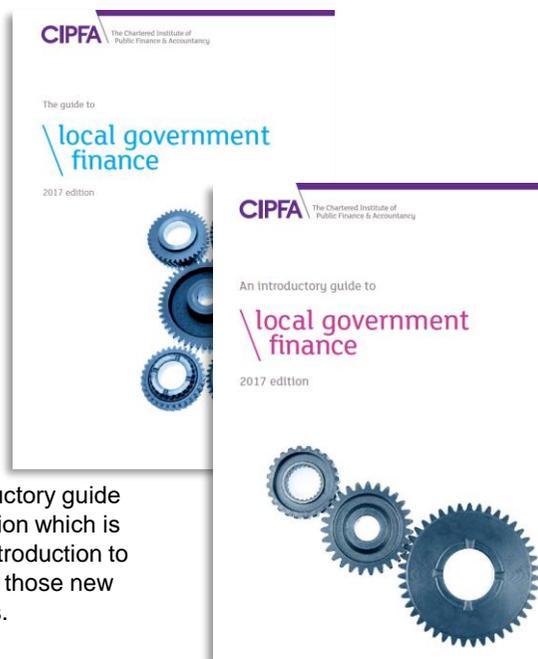
# CIPFA publications

CIPFA have published 'The guide to local government finance' 2017 edition. The guide seeks to provide information on current arrangements for local government finance and sets out the principles of sound financial management.

The guide covers a range of local government services. It examines the funding systems that support those services including council tax, business rates and the local government finance settlement. The guide covers both revenue and capital financing and has separate chapters on key areas and their specific intricacies including:

- capital finance
- budgeting and financial reporting
- treasury management
- auditing
- governance
- education
- housing
- police
- social care.

CIPFA have also published 'An introductory guide to local government finance' 2017 edition which is aimed at those requiring more of an introduction to local government finance for example, those new to the sector or non finance specialists.



CIPFA have updated their guidance on the key considerations in setting up and managing a pooled budget in the publication 'Pooled Budgets and the Better Care Fund: A Practical Guide for Local Authorities and Health Bodies' (2017 Edition)

Although pooled budgets have operated widely across health and social care for a long time, they were brought into prominence by the Better Care Fund, introduced in 2015–16.

The aim of CIPFA's guidance is to define the basic principles of financial management, governance and accountability that partners in budget pooling arrangements or, indeed, other forms of partnership working, should follow, and to consider the relevant accounting issues.

The guide provides practical tools such as a checklist of matters to consider, an example of how to decide which agency should lead the arrangement, a model scheme of delegation to boards. The guide considers the background to budget pooling, including the purpose of pooling, the basics of partnership arrangements, and some other options available to health and social care organisations pursuing similar objectives. It goes on to consider specific issues arising from pooling: managing a pooled budget, corporate governance, financial management, audit and assurance, and VAT. These matters then feed into an appendix on accounting issues.

## CIPFA Publication

### Challenge question:

Are these publications of use to you?



# DCLG Consultation

## DCLG are currently consulting with Local Authorities and other interested parties on proposed changes to the prudential framework of capital finance.

The statutory framework for the Prudential System is set out in Chapter I of the Local Government Act 2003 and in the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended. The framework includes four statutory codes. Alongside CIPFA's Prudential Code and Treasury Management Code, the DCLG is responsible for Statutory Guidance on both Local Authority Investments and on the Minimum Revenue Provision.

Over the past years the regulatory and economic environment has changed significantly and led the sector to consider more innovative types of investment activity. The Government has also monitored changes in the practices used for calculating Minimum Revenue Provision.

As a result the Department for Communities and Local Government is seeking views on proposals to update the guidance on Local Authorities Investments and on Minimum Revenue Provision for full implementation in 2018/19. This consultation closes on 22 December 2017 and may be accessed [here](#).

### Local Authorities Investment Code

The Government recognises that there is great variation in the objectives and nature of local authority investment, including local economic regeneration projects, however it believes that local authorities need to be better at explaining "why" not just "what" they are doing with their investment activity.

That means that the sector needs to demonstrate more transparency and openness and to make it easier for informed observers to understand how good governance and democratic accountability have been exercised.

To this end a number of proposals are made including requiring local authorities to:

- prepare a Capital Strategy which includes clear disclosure of the Investment Strategy
- disclose the contribution that investment activities make to their core functions
- use indicators to assess total risk exposure
- apply the principles of prioritising security and liquidity over yield for investment in non financial assets (in the same way that they are required to do for financial assets)
- disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income
- disclose additional information where authorities borrow to invest in revenue generating investments
- Disclose steps to ensure expertise of key officer and councillors involved in the decision making process.

### Minimum Revenue Provision Guidance

Local authorities are normally required each year to set aside some of their revenues as provision for debt. More precisely, the provision is in respect of capital expenditure financed by borrowing or long term credit arrangements. Given the changes in current practice and recent interest, the Government feels that it is time to look into updating the guidance as part of the more general update of the statutory codes comprising the prudential system. Four proposals are made:

- change to the definition of the basis of MRP
- confirmation that a charge to the revenue account cannot be a credit
- confirmation that a change to the MRP methodology would not generate an overpayment of MRP calculated retrospectively
- Introduces maximum useful economic lives for MRP calculations based on asset life

#### DCLG consultation

#### Challenge question:

- Are your officers planning to respond to the consultation?



# Local Authority 2016/17 Revenue Expenditure and Financing

DCLG has produced a summary of Local Authorities' 2016/17 final outturn for revenue spending and financing. It notes that local government expenditure accounts for almost a quarter of all government spending and the majority of this is through local authority revenue expenditure.

The summary is compiled from the Revenue Outturn (RO) returns submitted by all local authorities in England. Coverage is not limited to local councils in England and includes other authority types such as Police and Crime Commissioners and Fire authorities.

The headline messages include:

Local authority revenue expenditure totalled £93.6 billion for all local authorities in England in 2016-17. This was 1% lower than £94.5 billion spent over 2015-16.

Expenditure on Adult Social Care increased to £14.9 billion in 2016-17. This was £0.5 billion (3.6%) higher than in 2015-16. The 2016-17 financial year was the first year where local authorities were able to raise additional funding for Adult Social Care through the council tax precept.

- The largest decrease in local authority expenditure was on Education services. This was £0.75 billion (2.2%) lower in 2016-17 than in 2015-16. The majority of this decrease is due to local authority funded schools converting to academies.
- Local authorities are financing more of their expenditure from locally retained income. 40.4% of revenue expenditure was funded through council tax and retained business rates and 57.5% from central government grants. The remaining 2.1% was funded by reserves and collection fund surpluses. These percentages were 38.7%, 60.4% and 0.9% respectively in 2015-16.
- Local authorities used £1.5 billion (6.2%) of the £24.6 billion reserves balance held at the start of the 2016-17.
- Local authorities' use of reserves was £1.1 billion higher in 2016-17 than in 2015-16. Due to changes in their capital programme, £0.4 billion of this increase is due to the Greater London Authority.

The full report is available [here](#).

## Did you know....

This data set and many others are included in CFO Insights.

CFO Insights, is the Grant Thornton and CIPFA online analysis tool.

It gives those aspiring to improve the financial position of their organisation, instant access to insight on the financial performance, socio-economic context and service outcomes of theirs and every other council in England, Scotland and Wales.

More information is available at:

<http://www.cfoinsights.co.uk/>

**CFO Insights**

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# Links

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## Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/combined-authorities-signs-of-success/>

<http://www.grantthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>

<http://www.grantthornton.co.uk/en/insights/the-board-creating-and-protecting-value/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

## CIPFA website links

<http://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

<http://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/t/the-guide-to-local-government-finance-2017-edition-online>

<http://www.cipfa.org/policy-and-guidance/publications/p/pooled-budgets-and-the-better-care-fund-a-practical-guide-for-local-authorities-and-health-bodies-2017-edition>

## DCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/statistics/local-authority-revenue-expenditure-and-financing-england-2016-to-2017-final-outturn>



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**Grant Thornton**

An instinct for growth™

Mr A Jarrett  
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

T +44 (0)117 305 7600  
F +44 (0)117 305 7784

[www.grantthornton.co.uk](http://www.grantthornton.co.uk)

10 January 2018

Dear Andrew

**Certification work for Mid Devon District Council for year ended 31 March 2017**

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

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) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £18,067,600. Further details are set out in Appendix A.

We identified a number of issues from our certification work, which we wish to highlight for your attention.

- The software supplier provides a method for the Authority to reconcile benefit granted per the benefit software to benefit paid per the benefit software. The Authority has followed this method and this has identified one case where the system is not correctly treating the claim and has excluded the claim entirely from subsidy. Northgate were unable to provide a fix for the issue. This issue was reported in our qualification letter to the DWP dated 27 November 2017.
- One case where benefit had been underpaid as a result of the Authority omitting the pension deduction from earned income.
- Two cases where benefit has been overpaid as a result of:
  - the Council omitting the tax deduction from the claimant's Occupational Pension income.
  - an incorrect rent charge being applied because of ineligible housing association support charges not being deducted from the rent charged.

As a result of the errors identified, we undertook, with support from the Benefit department, two additional 40+ samples and the claim was qualified. We reported these findings to the DWP in our letter dated 27 November 2017. The DWP may require the Council to undertake further work or provide assurances on the errors we have identified.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The estimated, indicative scale fee set by PSAA for the Council for 2016/17 was £6,908.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Daly', written in a cursive style.

Geraldine Daly  
for Grant Thornton UK LLP

**Appendix A - Details of claims and returns certified for 2016/17**

<b>Claim or return</b>	<b>Value</b>	<b>Amended?</b>	<b>Amendment value</b>	<b>Qualified?</b>	<b>Comments</b>
Housing benefits subsidy claim	£18,067,600	No	N/A	Yes	See below

**Appendix B: Fees for 2016/17 certification work**

<b>Claim or return</b>	<b>2014/15 fee (£)</b>	<b>2015/16 fee (£)</b>	<b>2016/17 indicative fee (£)</b>	<b>2016/17 actual fee (£)</b>	<b>Variance (£)</b>	<b>Explanation for variances</b>
Housing benefits subsidy claim (BEN01)	£9,210	£7,418	£6,908	£TBC	£TBC	TBC

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# External Audit Plan

*Year ending 31 March 2018*

Mid Devon District Council

23 January 2018

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Agenda Item 12.

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Your key Grant Thornton  
team members are:

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Geraldine Daly  
Associate Director  
T: 0117 305 7741  
E: [geri.n.daly@uk.gt.com](mailto:geri.n.daly@uk.gt.com)

Andrew Davies  
Audit Manager  
T: 0117 305 7844  
E: [andrew.davies@uk.gt.com](mailto:andrew.davies@uk.gt.com)

Tori Redler  
Executive  
T: 0117 305 7744  
E: [victoria.j.redler@uk.gt.com](mailto:victoria.j.redler@uk.gt.com)

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

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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Mid Devon District Council ('the Council') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Mid Devon District Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

## Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

## Materiality

We have determined planning materiality to be £935k (PY £935k), which equates to 2% of your gross expenditure for the previous year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £46,750 (PY £46,750).

## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks at this stage of our audit planning:

- Financial resilience
- Housing company arrangements

## Audit logistics

Our interim visit will take place in February 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £47,700 (PY: £47,700) for the Council.

## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

# Deep business understanding

## Changes to service delivery

### Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version is due to be published in December 2017.

We are aware of the Council's growing commercial investments and activity. These include a new housing company, and investment in commercial and investment properties

We will review the Council's arrangements for setting up, monitoring and reporting the performance of 3 Rivers Development Company Ltd as part of our Value for money conclusion. We will also revisit the transactions relating to the Premier Inn sale of land.

We will also review the accounting transactions to ensure compliance with the Code.

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

### Housing Revenue Account (HRA)

DCLG has issued revised guidance on the calculation of the Item 8 Determination for 2017/18, which :

- extends transitional arrangements for reversing impairment charges and revaluation losses on dwelling assets and applies this principle to non-dwelling assets from 2017/18,
- confirms arrangements for charging depreciation to the HRA and permitting revaluation gains that reverse previous impairment and revaluation losses to be adjusted against the HRA.

## Key challenges

### Financial pressures

Like the majority of Councils Mid Devon District Council face a significant financial challenge over the medium term. The Council is forecasting an overspend of £181k in 2017/18 and has a funding gap of £4.1m through to 2021/22. The Council currently has a General Fund Reserve of £2,241k, which is above the approved minimum level of £2,100k. Without action General Fund Reserves will be eroded 2020/21.

### Impacts of Grenfell Tower fire

The Grenfell Tower fire disaster in 2017 has led to the identification of approximately 150 high rise buildings in local authority ownership that have failed fire safety tests. Local authorities are expected to make these buildings fire safe. DCLG are reviewing the current restrictions on the use of the financial resources that prevent local authorities from making essential fire safety upgrades.

As part of our ongoing risk assessment we will consider the Councils response to the Grenfell Tower fire.

## Our response

- We will consider your arrangements for managing and reporting your financial resources, as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code, revised stock valuation guidance for the HRA and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.
- We will consider whether progress has been made to the previously agreed recommendations raised in 2016/17.
- We will review the appropriateness of your accounting policies.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable 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"> <li>• there is little incentive to manipulate revenue recognition.</li> <li>• opportunities to manipulate revenue recognition are very limited.</li> <li>• The culture and ethical frameworks of local authorities, including Mid Devon District Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore we do not consider this to be a significant risk for Mid Devon District Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness.</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness.</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions.</li> </ul>

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# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	<p>The Council revalues its land and buildings on an annual basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work.</li> <li>Consider the competence, expertise and objectivity of any management experts used.</li> <li>Discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions.</li> <li>Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>Test revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>Evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
<b>Valuation of pension fund net liability</b>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>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.</li> <li>Evaluate 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.</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

# Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Employee remuneration</b>	<p>Payroll expenditure represents a significant percentage (31%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with a sub-system there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness.</li> <li>• gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls.</li> <li>• reconcile payroll expenditure reported in the financial statements to total expenditure recorded in the payroll system.</li> <li>• perform substantive analytical procedures.</li> </ul>
<b>Operating expenses</b>	<p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness.</li> <li>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls.</li> <li>• Agree creditors to the ledger.</li> <li>• Substantively test significant creditor balances.</li> <li>• Review after date payments to ensure all liabilities have been identified.</li> </ul>

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# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
  - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
  - issue of a report in the public interest; and
  - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

## 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 this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

## Group Accounts

During 2017/18 the Council set up 3 Rivers Development Company Ltd. This was incorporated at Companies House on 28 April 2017. We will discuss with officers whether or not group financial statements will be required and review accordingly.

### The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. 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.

### Materiality for planning purposes

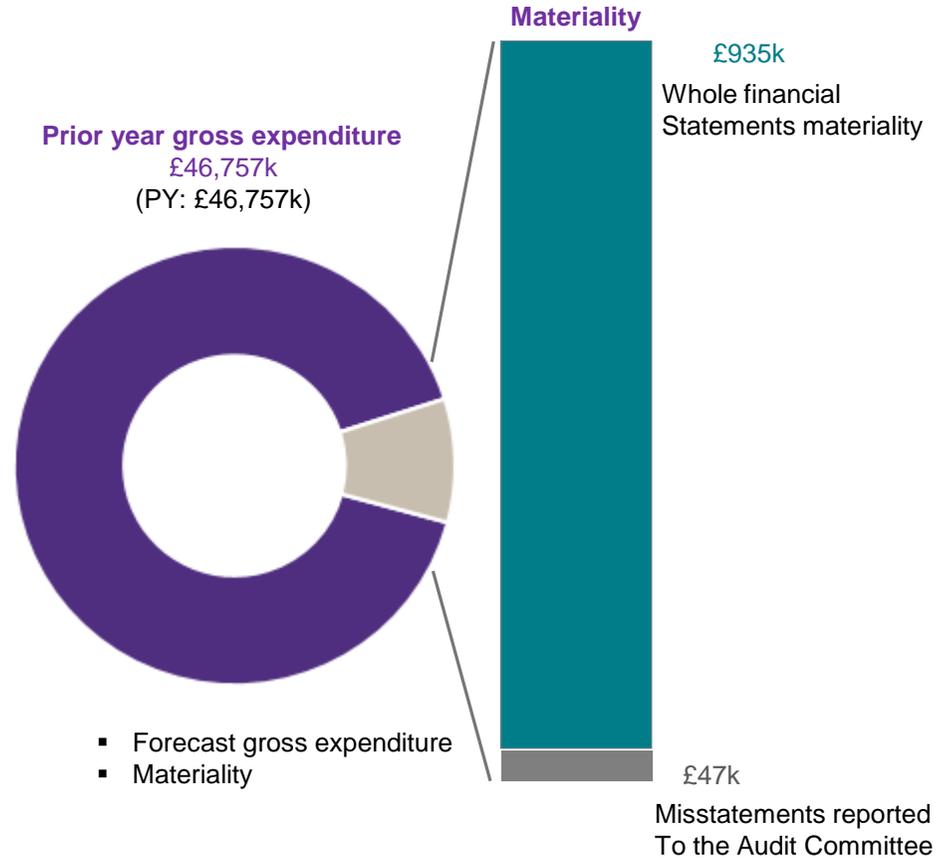
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £935k (PY £935k), which equates to 2% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision.

We will reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality. We will also review materiality on receipt of the draft financial statements.

### Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £46,750 (PY £46,750).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



# Value for Money arrangements

## Background to our VFM approach

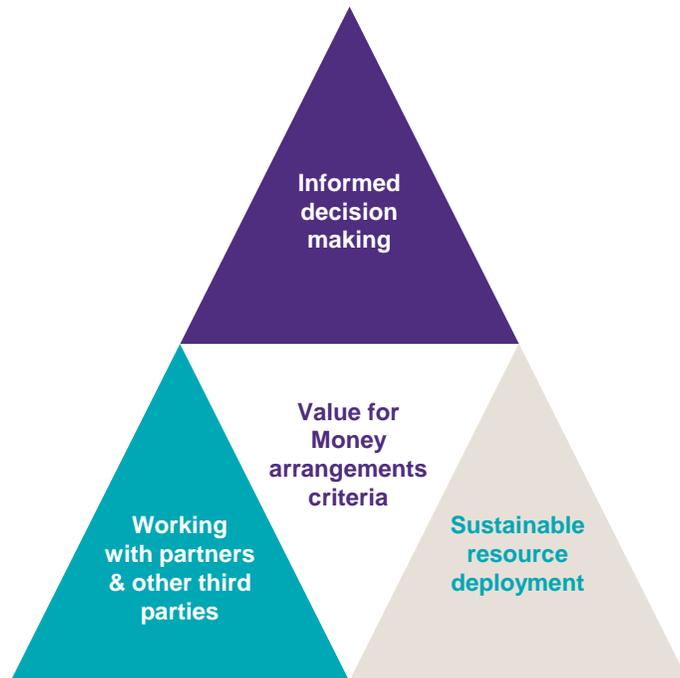
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

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

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## Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### Financial resilience

Like the majority of Councils Mid Devon District Council face a significant financial challenge over the medium term. The Council is forecasting an overspend of £181k in 2017/18 and has a funding gap of £4.1m through to 2021/22. The Council currently has a General Fund Reserve of £2,241k, which is above the approved minimum level of £2,100k. Without action General Fund Reserves will be eroded 2020/21.

In response to this risk we will review the significant assumptions made in the Council's medium term financial plan and progress towards closing the funding gap.



### Housing Company arrangements

During 2017/18 the Council set up 3 Rivers Development Company Ltd. This was incorporated at Companies House on 28 April 2017. This represents a new, innovative way to deliver services.

In response to this risk we will review the Councils arrangements for setting up, monitoring and reporting the performance. We will also review the governance arrangements in place.

# Audit logistics, team & audit fees



**Geraldine Daly, Engagement Lead**



**Andrew Davies, Audit Manager**



**Victoria Redler, Audit Incharge**

## Audit fees

The planned audit fees are £47,700 (PY: £47,700) for the financial statements audit and £6,908 for the certification of housing benefit subsidy. 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'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously. It is pleasing to note that the Council has worked hard and in partnership with Grant Thornton over the past two years to ensure that the opinion on the audit has been able to be issued in mid July. This provides an excellent basis to fulfil this deadline for 2017/18.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. We have focused on:

- The elements and learning from the previous two years so that the same approaches can be utilised
- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement.
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you.
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples.
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit.
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff.
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit.
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

## Non-audit services

The following non-audit services were identified:

Service	Fees £	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Capital Receipts grant	1,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,500 in comparison to the total fee for the audit of £47,700 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related to be undertaken by Grant Thornton UK LLP in the current financial year. There are no non-audit services to be undertaken by Grant Thornton. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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# Appendices

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A. Revised ISAs



# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

<b>Section of the auditor's report</b>	<b>Description of the requirements</b>
<b>Conclusions relating to going concern</b>	We will be required to conclude and report whether: <ul style="list-style-type: none"><li>• The directors use of the going concern basis of accounting is appropriate</li><li>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.</li></ul>
<b>Material uncertainty related to going concern</b>	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
<b>Other information</b>	We will be required to include a section on other information which includes: <ul style="list-style-type: none"><li>• Responsibilities of management and auditors regarding other information</li><li>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation</li><li>• Reporting inconsistencies or misstatements where identified</li></ul>
<b>Additional responsibilities for directors and the auditor</b>	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
<b>Format of the report</b>	The opinion section appears first followed by the basis of opinion section.



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