

Public Document Pack

Mid Devon District Council

Audit Committee

Tuesday, 19 March 2019 at 5.30 pm
Exe Room, Phoenix House, Tiverton

Next meeting
Tuesday, 25 June 2019 at 5.30 pm

Those attending are advised that this meeting will be recorded

Membership

Cllr R Evans (Chairman)
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. **Declaration of Interests under the Code of Conduct**
Councillors are reminded of the requirement to declare any interest, including the type of interest, and reason for that interest, either at this stage of the meeting or as soon as they become aware of that interest.
3. **Public Question Time**
To receive any questions relating to items on the Agenda from members of the public and replies thereto.
4. **Minutes of the previous meeting (Pages 5 - 12)**
Members to consider whether to approve the minutes as a correct record of the meeting held on 22 January 2019.
5. **Chairman's Announcements**
To receive any announcements that the Chairman may wish to make.

6. **Performance & Risk** *(Pages 13 - 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 2018-2019 as well as providing an update on the key business risks.
7. **Progress update on the Annual Governance Statement 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 2017/18 Action Plan.
8. **Risk and Opportunity Management Strategy** *(Pages 51 - 70)*
To receive a report from the Group Manager for Performance, Governance and Data Security presenting the Committee with the updated Risk & Opportunity Management Strategy for approval.
9. **Internal Audit Progress Report 2018 - 2019** *(Pages 71 - 80)*
To receive a report from the Head of the Devon Audit Partnership providing a progress update.
10. **Internal Audit Charter and Strategy 2019 / 2020** *(Pages 81 - 96)*
To receive a report from the Audit Team Manager presenting the Committee with the Internal Audit Charter and Strategy for the effective operation of the internal audit service.
11. **Internal Audit Plan 2019 / 2020** *(Pages 97 - 110)*
To receive a report from the Head of the Devon Audit Partnership proposing the internal audit activity for the forthcoming year and an outline scope of the coverage.
12. **External Audit Progress Report and Sector Update** *(Pages 111 - 130)*
To receive a report from Grant Thornton providing the Audit Committee with an update on progress in delivering their responsibilities as the Council's external auditors.
13. **Chairman's Annual Report for 2018/19** *(Pages 131 - 138)*
To receive the annual report from the Chairman of the Audit Committee for 2018/19.
14. **Identification of items for the next meeting**
Members are asked to note that the following items are identified in the work programme for the next meeting:
 - Election of Chairman
 - Election of Vice Chairman
 - Performance and Risk Outturn Report for 2018/19

- Draft Annual Governance Statement and Action Plan
- Draft Annual Accounts for 2018 / 2019
- Internal Audit Progress Report
- External Audit Progress Report & Sector Update
- Grant Thornton – 2019 / 2020 Fee Letter
- Start time of meetings

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

Stephen Walford
Chief Executive
Monday 11 March 2019

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

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

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

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

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

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MID DEVON DISTRICT COUNCIL

MINUTES of a **MEETING** of the **AUDIT COMMITTEE** held on 22 January 2019 at 5.30 pm

Present

Councillors

R Evans (Chairman)
Mrs C Collis, R M Deed, B A Moore,
R F Radford and R Wright

Apologies

Councillors

Mrs J B Binks, T G Hughes and L D Taylor

Also Present

Officers

Stephen Walford (Chief Executive), David Curnow (Deputy Head of Devon Audit Partnership), Joanne Nacey (Group Manager for Finance), Catherine Yandle (Group Manager for Performance, Governance and Data Security), David Green (Group Manager for Development) and Sarah Lees (Member Services Officer)

Also in

attendance

Julie Masci and Andrew Davies (Grant Thornton)

52. **APOLOGIES**

Apologies were received from Cllr Mrs J B Binks who was substituted by Cllr B A Moore and Cllr L D Taylor who was substituted by Cllr R Wright.

53. **DECLARATION OF INTERESTS UNDER THE CODE OF CONDUCT**

There were no interests declared under this item.

54. **PUBLIC QUESTION TIME**

There were no members of the public present.

55. **MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 20 November 2018 were confirmed as a true and accurate record and **SIGNED** by the Chairman.

56. **CHAIRMAN'S ANNOUNCEMENTS**

The Chairman stated that because of the need to rotate external auditors on a regular basis he had been due to meet with Geraldine Daly from Grant Thornton for the last time prior to the meeting to discuss the handover with her replacement Associate Director. However, due to illness Ms Daly had been unable to make the meeting. Ms Masci had been in attendance however and the Chairman stated that

she would introduce herself formally to the Committee when the Grant Thornton items were reached on the agenda.

57. **REVIEW OF OFFICER RESPONSIVENESS TO MEMBERS IN PLANNING**

The Chief Executive had been requested by the Chairman to attend the meeting to provide an update on the responsiveness to Members queries within the Planning service.

The Chairman introduced the item stating that he had contacted all Members of the Committee inviting feedback and comment on this issue, however, he had only received comment from two Members. He reiterated his belief that responsiveness ought to work in both directions.

The Chief Executive stated that the Chairman had written to him informing him of the concerns of the Committee and that they had subsequently met with the Leader of the Council, the Cabinet Member for Planning and Economic Regeneration and the Head of Planning, Economy and Regeneration to discuss the detail of the concerns. The Chief Executive had then met with the Development Management team and reiterated what the expectations were with regard to responding to Members' queries, that is, that Members should receive an initial response within 48 hours. That meeting had taken place in November and he had explained to the team that he would be reporting back to the Audit Committee in January to ascertain whether there had been any improvement.

Several members of the Committee commented that they had seen an improvement and their concerns had dissipated. Particular members of staff were complimented and it was acknowledged that the enforcement service area was a particularly difficult area to work within due to its very nature.

The Chief Executive concluded by stating that he was disappointed that the matter had needed to be formalised and brought to the Committee but he was pleased that officers had recognised the issues being raised and that the Committee's concerns had now been addressed.

58. **PERFORMANCE & RISK 2018/19**

The Committee had before it, and **NOTED** a report * from the Director of Corporate Affairs & Business Transformation providing it with an update on performance against the Corporate Plan and local service targets for 2018-2019 as well as providing an update on the key business risks.

Discussion took place regarding:

- It was explained that the recycling rate for the whole of England for 2017-18 was 44.8% (2016-17 45.1%). The Council's rates were 51.9% for 2017-18 (2016-17 53.3%) so exhibiting the same pattern (i.e. 2017-18 being lower than 2016-17) but with much better results.
- The risks in connection with the 3 Rivers Development Company were identified within the report as being 'high'. It was explained that the company had been included in the accounts for the first time last year and that there was a need to be as transparent as possible with regard to technical

disclosure within the public accounts, it was possible therefore that officers were being over cautious with regard to scoring risks in this area. It was further explained that, in line with CIPFA guidance, the services of an independent technical expert had been engaged who was consulted on a regular basis to provide advice. Advice was also regularly sought from the Group Manager for Legal Services and Monitoring Officer as well as the Group Manager for Performance, Governance and Data Security. Legislation, particularly with regard to procurement arrangements was strictly adhered to. Internal audit had also recently undertaken a review of the company's governance arrangements.

- The Chairman commented that there were still some review notes missing within the risk report and that some of the notes that were there contained comments that were not very helpful. He asked that this be conveyed back to Service Managers.

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

59. **PROGRESS UPDATE ON THE ANNUAL GOVERNANCE STATEMENT ACTION PLAN**

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 2017/18 Action Plan.

It was explained that there had been ten issues identified within the action plan and that there had been some slippage on completion dates but progress had also been made.

A Sickness Absence Action Plan had been developed by HR and the Health and Safety Officer. This had been approved by the Leadership Team in October 2018. HR had rolled out 'return to work interview' training for managers although this plan was not yet fully implemented.

The Chief Executive reminded the Committee that sickness statistics were reported on a regular basis to the Cabinet and Council through the annual Establishment report which was due in February.

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

60. **FINANCIAL REGULATIONS REVIEW**

The Committee had before it a report * from the Deputy Chief Executive (S151) making recommendations for amendments to the Financial Regulations of the Authority to ensure they were appropriate, reflecting the Authority's latest structure and delegations.

The Group Manager for Financial Services had received an update from the Group Manager for Legal Services and Monitoring Officer with regard to the legal implications of a revision to the Financial Regulations. This was cited as being as follows:

“The Financial Regulations, as revised, include appropriate references to the latest applicable laws, regulations and guidance, as well as acknowledged industry best practice. Outside of those parameters, it is entirely a matter for the Council to determine the rules and thresholds which apply, including the level of decision making. It is important the regulations are clear and precise to avoid any doubt about their application in any given scenario and staff training is advisable.”

It was further explained by the Group Manager for Financial Services that this was an important working document which ensured that the Council adhered to proper working practices with the right levels of authorisation. Updates and changes to the document had been tracked changed making it easier to see where the revisions had taken place.

Discussion took place with regard to:

- The significance of IR35 tax legislation to the Council and its operations.
- When it came to the disposal of land, Ward Members were not always informed. However, the Chief Executive confirmed that disposal of land over 0.25 of a hectare was reported through CSAG (which had Member representation on it) and also the Cabinet. Officers needed to be reminded that anything under this amount needed to be reported to individual Ward Members.

RECOMMENDED to Council that the revisions to the Financial Regulations are approved.

(Proposed by the Chairman)

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

61. **INTERNAL AUDIT PROGRESS REPORT 2018-19**

The Committee had before it, and **NOTED**, a report * from the Deputy Head of the Audit Partnership providing an update on work within the Internal Audit area.

Consideration was given to:

- The Internal Audit Manager’s opinion continued to be that there was ‘Significance Assurance’ on the adequacy and effectiveness of the Authority’s internal control framework.
- Core Audits were on track to be completed by the year end. There were no major concerns on controls although system user access controls were still not fully reviewed on staff changes.
- Performance monitoring had received increased focus from Leadership Team.
- Comments had been made by Internal Audit on succession planning in the areas of Procurement, Council Tax, and leisure where staff changes had increased business continuity risks.
- Good progress had been made against the Audit Plan for 2018/19.
- A summary of the audits that had taken place since the last update was provided showing that they had all been of a ‘good standard’ and one being of a ‘high standard’.

- An amber direction of travel had been identified in the area of ICT as periodic checks were not being carried out to confirm the ability to restore key business systems in the event of an emergency. However a plan was in place to address this.
- In the area of 'Cyber Security' it was noted that this had received a 'Good Standard' assurance opinion but that no computer network connected to the internet could ever be completely secure and mitigation measures could never fully prevent incidents from occurring.
- It was requested that again, recommendations outstanding from pre 2018 be addressed as a matter of urgency and either dealt with or, if no longer applicable, removed.

The Chairman requested that for those service areas receiving a 'Good Standard' internal audit that the thanks and congratulations of the Committee be conveyed back to the staff working in those areas.

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

62. **ASSURANCE MAPPING**

The Committee had requested at the previous meeting that further consideration be given to the concept of 'assurance mapping'. The Deputy Head of the Audit Partnership had provided the Committee with some additional information setting out the concept in more detail.

It was explained that the Committee already received information via many assurance processes, however, using the assurance mapping process could make this process simpler thereby providing further clarity and allowing officers and Members to see where the gaps were. The Committee were invited to comment on whether they considered this additional assurance procedure provided any significant value.

The Chief Executive explained that officers were already mindful of the 'nuts and bolts' behind particular areas of risk at operational level and that the strategic risk register contained details of how these are mitigated and managed at a corporate level, however, it might be useful for Members to see 'a snap shot' on one page.

The Committee discussed the concept and felt that it could get over complicated when they were essentially satisfied that adequate risks and mitigation measures were already in place. However, it was felt that this was something that needed further consideration by officers and the new Audit Committee following the election in May.

63. **DEVON AUDIT PARTNERSHIP REVIEW**

The Committee had before it, and **NOTED**, a briefing paper * providing some feedback regarding the Devon Audit Partnership.

The Chairman introduced the item detailing the background of the Partnership and Mid Devon's involvement with it. He stated that the meetings at Devon County Council were very professional, well attended and the subject matter was relevant each time they met. Five authorities were now signed up to the Partnership and

everybody had an opportunity to have their say. He invited the Committee to provide any observations or comments on the revised arrangements.

It was felt that the service was efficient and provided opportunity to feedback on areas which could be improved. Reports were timely, understandable and constructive. This could be seen as a 'dry' area, however, reports were delivered by the Deputy Head of the Devon Audit Partnership with enthusiasm and commitment. Mid Devon audit staff had had an opportunity to gain additional skills and the transition had gone well.

Members were reminded that the original decision to move to the partnership had not been in order to save money but to provide a better quality audit service and outcomes for the Council.

64. **EXTERNAL AUDIT PLAN - GRANT THORNTON**

The Committee had before it, and **NOTED**, a report * from Grant Thornton providing it with an overview of the planned scope and timing of the statutory audit of the Council.

Julie Masci introduced herself as the new Grant Thornton Engagement Lead for Mid Devon. She provided a brief summary of her professional background, relevant experience and the need for a rotation of staff within the professional framework.

She explained that Grant Thornton had a responsibility to express an opinion on the Council and group's financial statements as well as the Value for Money arrangements. The precise details of the level of audit work needed in relation to the 3 Rivers Development Company were not known at the moment but it was expected to be a high level review.

They had responsibility to report on significant risks to the authority, including the valuation of land, buildings and pension liabilities. All material balances and transaction streams would also be audited. She briefly outlined the timetable of the audit explaining that it would be commencing next month. The fee for the audit was also outlined which had reduced due to savings made in a procurement exercise.

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

65. **EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE (INCLUDING GRANT CERTIFICATION OUTTURN FOR 2017/18)**

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.

Planning for the audit had commenced and interim work was due to start next month with attention being focussed on understanding the Council's financial systems, emerging accounting issues and a review of management's assessment of going concern. The results of this work would be reported to the Committee at its next meeting.

A brief summary was provided of the audit work undertaken with regard to the Housing Benefit subsidy claim and the certification of other claims and returns.

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

66. IDENTIFICATION OF ITEMS FOR THE NEXT MEETING

It was requested that, in addition to the items already identified in the work programme, the following item/s be placed on the agenda for the next meeting:

- The Internal Audit Charter and Strategy.

(The meeting ended at 7.15 pm)

CHAIRMAN

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AUDIT COMMITTEE 19 MARCH 2019

PERFORMANCE AND RISK FOR 2018-19

Cabinet Member Cllr Clive Eginton
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 2018-19 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.

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 2018-19 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: % of household waste reused, recycled and composted**; the recycling rate for the year so far is on target at 53% compared to 52.6% for the same period last year.
- 2.2 The residual waste continues to be better than target at 313.84Kg. The performance regarding missed collections remains the same with recycling better than refuse.
- 2.3 Regarding the Corporate Plan Aim: **Protect the natural environment**: There have been 13 Fixed Penalty Notices (FPNs) issued so far this year with one offender having appeared in court resulting in a fine of £800 for non-payment of the FPN. All fly-tipping incidents are also being investigated, 120 in the last quarter.
- 2.4 Members of Cabinet have voted to recommend a preferred route for the Cullompton town centre relief road, which was option B.

Homes Portfolio - Appendix 2

- 2.5 Regarding the Corporate Plan Aim: **Build more council houses**: Birchen Lane (4 units) is completed and the first tenants have moved in. Burlescombe (6 units) is due March 2019 and for Palmerston Park; practical completion is due in March for 12 units with handover of all 26 units due August 2019.
- 2.6 Regarding the Corporate Plan Aim: **Facilitate the housing growth that Mid Devon needs, including affordable housing**: Last year was very successful with both measures well above target. This year the **Affordable homes** delivered figure is currently well below target but 10 units are due in Q4. Bringing **Empty homes** into use has now well exceeded the annual target.
- 2.7 Regarding the Corporate Plan Aim: **Planning and enhancing the built environment: Performance Planning Guarantee determined within 26 weeks** was just below target for Q3 but all 4 speed and quality measures were well above the required target. These are all reported quarterly.
- 2.8 Regarding the Corporate Plan Aim: **Other: % Properties with a valid Gas Safety Certificate**; one property's Gas Safety Certificate has expired; the tenant is deceased so this will be remedied while the property is void.
- 2.9 Rent Arrears: **Rent collected as % of Annual Rent Debit** is only just outside target at 99.9%. **Current tenant arrears** remain steady at around 1.3%.
- 2.10 The **Average days to re-let** remains better than target. This is reflected in the **Dwelling rent lost due to voids** which has decreased steadily throughout the year and is now at the same level as this time last year i.e. 0.5%.

Economy Portfolio - Appendix 3

- 2.11 An Economic Development Service Update which covers specific projects is a separate item on this agenda.
- 2.12 Regarding the Corporate Plan Aim: **Focus on business retention and growth of existing businesses:** we record **Businesses assisted** which is above target; they have to be assisted for a minimum of an hour to be included in this figure. MDDC has also been instrumental in two successful bids for LEADER funding for Mid Devon businesses so far this year.
- 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, the vacancy rates in Tiverton and Cridton have improved for the last quarter but Cullompton's have deteriorated being the only PI on the appendix showing as "red".
- 2.14 Corporate projects to provide incubator space for businesses and the Tiverton Town Centre Improvements are progressing with MDDC's application being considered at Planning Committee on 6 March and tendering for the work by Cabinet on 7 March.
- 2.15 **Other:** The Local Plan Hearings concluded in February, the Planning Inspector's report is now awaited.

Community Portfolio - Appendix 4

- 2.16 Regarding the Corporate Plan Aim: **Promote physical activity, health and wellbeing:** The first Trim Trail in Amory Park Tiverton has been completed.
- 2.17 **Other: compliance with food safety law** there has been some reclassification of premises which has reduced the number of higher risk premises this PI relates to.
- 2.18 Digital inclusion work has commenced with the Web Accessibility legislation impact being assessed. This is because of an EU directive regarding new website accessibility requirements being introduced over the next 2 years.

Corporate - Appendix 5

- 2.19 The **Response to FOI requests** remains slightly below target despite reminders being sent to respondents. This is being actively monitored by Leadership Team.
- 2.20 The occupancy rate at Market Walk has now fallen back below 100% with 2 units empty and notice given on another 2 w.e.f. September 2019.
- 2.21 The cash collection project achieved the 1 December go live date. Some constituents have raised concerns with Councillors.

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.

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

Circulation of the Report: Leadership Team and Cabinet Member

Corporate Plan PI Report Environment

Monthly report for 2018-2019
 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

*

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) (figures have to be verified by DCC)</u>	321.83 (10/12)		378.00	32.70	64.94	93.67	121.38	156.22	186.30	219.50	247.43	278.12	313.84				Stuart Noyce	(April - January) Social media campaigns and publicity encouraging recycling and reuse together with a convenient kerbside collection service has helped to ensure a continued reduction in residual waste tonnage. (LD)
<u>% of Household Waste Reused, Recycled and Composted (figures have to be verified by DCC)</u>	52.6% (10/12)		53.0%	54.3%	55.0%	56.5%	56.1%	54.5%	54.2%	53.8%	53.8%	53.1%	53.0%				Stuart Noyce	(January) An increase in the amount of dry recycling generated over the Christmas holidays together with higher leaf sweeping tonnage sent for composting has contributed to the recycling rate remaining on target. (LD)
<u>Net annual cost of waste service per household</u>			£45.31	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a	Stuart Noyce	
<u>Number of Households on Chargeable Garden Waste</u>	9,330 (10/12)		9,500	9,613	9,848	9,912	9,953	9,978	10,034	9,967	9,837	9,688	9,712				Stuart Noyce	(January) The number of garden waste customers has increased by 382 compared to the same period last year. (LD)
<u>% of missed collections</u>	0.04% (10/12)		0.03%	0.02%	0.02%	0.03%	0.03%	0.03%	0.04%	0.04%	0.04%	0.04%	0.04%				Stuart Noyce	(January) Improving missed

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 to Manager	Officer Notes
<u>reported (refuse and organic waste)</u>																		collection performance has been a focus for the newly appointed Operations Manager. (LD)
<u>% of Missed Collections logged (recycling)</u>	0.03% (10/12)		0.03%	0.01%	0.01%	0.01%	0.01%	0.02%	0.02%	0.02%	0.02%	0.02%	0.02%				Stuart Noyce	(January) The % of missed collections attributed to kerbside recycling remain on target for the year. (LD)

Aims: Protect the natural environment**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 to Manager	Officer Notes
<u>Number of Fixed Penalty Notices (FPNs) Issued (Environment)</u>	41 (10/12)			3	4	7	8	9	11	12	12	12	13				Stuart Noyce	

Corporate Plan PI Report Homes

Monthly report for 2018-2019
 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

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>Build Council Houses</u>	0 (10/12)		26	0	0	0	0	0	0	0	4	4	4				Angela Haigh	(January) Birchen Lane complete (CY

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

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 affordable homes delivered (gross)</u>	72 (3/4)		80	n/a	n/a	8	n/a	n/a	12	n/a	n/a	13	n/a	n/a			Angela Haigh	
<u>Deliver homes by bringing Empty Houses into use</u>	111 (10/12)		72	13	19	26	29	56	70	92	107	121	134				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
<u>% Decent Council Homes</u>	100.0% (10/12)		100.0%	99.8%	99.9%	99.7%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%	99.9%			
<u>% Properties With a Valid Gas Safety Certificate</u>	99.64% (10/12)		100.00%	99.69%	99.78%	99.73%	99.91%	99.91%	99.91%	99.87%	99.91%	100.00%	99.96%			
<u>Rent Collected as a Proportion of Rent Owed</u>	99.37% (10/12)		100.00%	95.34%	96.76%	97.09%	97.68%	99.26%	99.59%	99.40%	98.61%	100.24%	99.90%			
<u>Current Tenant Arrears as a Proportion of Annual Rent Debit</u>	1.28% (10/12)		1.00%	1.13%	1.17%	1.29%	1.34%	1.32%	1.31%	1.33%	1.51%	1.07%	1.31%			
<u>Dwelling rent lost due to voids</u>	0.5% (10/12)			0.71%	0.67%	0.70%	0.65%	0.57%	0.55%	0.52%	0.50%	0.50%	0.51%			
<u>Average Days to Re-Let Local Authority Housing</u>	16.0days (10/12)		14.0days	16.6days	15.9days	16.1days	15.6days	14.9days	14.2days	13.8days	13.9days	13.8days	13.9days			

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Corporate Plan PI Report Economy

Monthly report for 2018-2019
 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 Manager Date	Group to Manager	Officer Notes
<u>Number of business rate accounts</u>	3,004 (10/12)		3,000	3,004	3,004	3,044	3,049	3,049	3,054	3,055	3,061	3,075	3,081				Andrew Jarrett, Fiona Wilkinson	

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 Manager Date	Group to Manager	Officer Notes
<u>Businesses assisted</u>	227 (10/12)		250	25	49	72	93	113	129	162	190	197	214				None	(February) current:5 (MF)

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 Manager Date	Group to Manager	Officer Notes
<u>Increase in Car Parking Vends</u>	51,051 (9/12)			49,410	51,507	51,931	53,629	53,627	51,547	52,273	51,821	50,589					Andrew Jarrett	
<u>The Number of Empty Shops (TIVERTON)</u>	21		18	n/a	n/a	22	n/a	n/a	21	n/a	n/a	20	n/a	n/a	18		Adrian Welsh	(Quarter 3) Vacancy Rate is 8.6% representing 20 vacant units (JB)
<u>The Number of Empty Shops (CREDITON)</u>	11		8	n/a	n/a	10	n/a	n/a	8	n/a	n/a	9	n/a	n/a	7		Adrian Welsh	(Quarter 3) A vacancy rate of 7.8 % representing 9 vacant units (JB)
<u>The Number of Empty Shops (CULLOMPTON)</u>	8		8	n/a	n/a	6	n/a	n/a	7	n/a	n/a	9	n/a	n/a	11		Adrian Welsh	(Quarter 3) 10.6 % vacancy rate representing 9 units (JB)

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 Manager Date	Group to Manager	Officer Notes
<u>Funding awarded to support economic projects</u>	£35,899 (3/4)			n/a	n/a	£0	n/a	n/a	£160,395	n/a	n/a	£160,395	n/a	n/a			Adrian Welsh	(Quarter 3) There was no new funding awarded in Q3 (JB)

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Corporate Plan PI Report Community

Monthly report for 2018-2019

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

*

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>	22 (9/12)			22	22	22	22	22	22	22	22	22					Corinne Parnall	(December) 22 (K)

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>Number of social media communications MDDC send out</u>	133 (9/12)		30	69	66	66	75	77	86	125	160	94					Jane Lewis	(December) No. of Facebook Posts Published = 5 No. of Tweets Tweeted = 43 (MA)
<u>Number of web hits per month</u>	24,152 (9/12)			35,191	33,432	29,453	30,317	31,082	29,611	31,193	29,782	28,428					Jane Lewis	
<u>Compliance with food safety law</u>	89% (9/12)		90%	85%	85%	85%	85%	85%	86%	86%	87%	87%					Simon Newcombe	(April - August) The reduction to 85% compliance is statistical issue. The cycle of inspection and interventions has meant a 3-yearly review of the lowest category risk premises has been completed this financial year. This has resulted in a number being identified as no longer active/preparing food and require deregistration. Such low-risk premises (e.g. village halls/pre-prepared food) have the most straightforward compliance targets and typically score above 90% as a result. Having fewer such premises means the overall % compliance across the district is now

Corporate Plan PI Report Community																		
Priorities: Community																		
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 Manager Date	Group to Manager	Officer Notes
																		lower. The higher risk premises are still performing as before and the number of food retail premises scoring 4 or 5 on Scores-on-door remain unaffected. (CY)

Corporate Plan PI Report Corporate

Monthly report for 2018-2019
 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
% of complaints resolved w/in timescales (10 days - 12 weeks)	92% (10/12)		90%	94%	96%	89%	89%	90%	91%	93%	93%	94%	93%			
Number of Complaints	19 (10/12)			18	28	32	37	28	32	38	24	25	28			
New Performance Planning Guarantee determine within 26 weeks	99% (3/4)		100%	n/a	n/a	100%	n/a	n/a	100%	n/a	n/a	99%	n/a	n/a		
Major applications determined within 13 weeks (over last 2 years)	83% (3/4)		60%	n/a	n/a	86%	n/a	n/a	91%	n/a	n/a	86%	n/a	n/a		
Minor applications determined within 8 weeks (over last 2 years)	79% (3/4)		65%	n/a	n/a	73%	n/a	n/a	75%	n/a	n/a	77%	n/a	n/a		
Major applications overturned at appeal (over last 2 years)	4% (3/4)		10%	n/a	n/a	3%	n/a	n/a	3%	n/a	n/a	3%	n/a	n/a		
Minor applications overturned at appeal (over last 2 years)	0% (3/4)		10%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a	0%	n/a	n/a		
Response to FOI Requests (within 20 working days)	69% (10/12)		100%	97%	98%	98%	98%	98%	97%	97%	96%	95%	95%			
Working Days Lost Due to Sickness Absence	6.55days (9/12)		7.00days	0.64days	1.34days	2.17days	2.81days	3.49days	4.20days	4.86days	5.61days	6.36days				
Return on Commercial Portfolio			7.5%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a		n/a
% total Council tax collected - monthly	93.72% (10/12)		98.50%	11.32%	20.63%	29.48%	38.51%	47.43%	56.33%	66.14%	75.22%	84.11%	93.09%			
% total NNDR collected - monthly	89.31% (10/12)		99.20%	12.15%	23.60%	32.20%	40.39%	47.45%	56.32%	64.83%	70.81%	76.36%	88.27%			
Printed by: Catherine Yandle																
SPAR.net																
Print Date:																

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
<u>Number of visitors per month</u>	2,604 (10/12)		2,750	2,172	2,351	2,323	2,393	2,341	2,338	2,360	2,315	2,152	2,068			
<u>Satisfaction with front-line services</u>	97.14% (10/12)		80.00%	0.00%	0.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%			
<u>Increase Number of Digital payments</u>	68,383 (10/12)		70,960	6,908	14,226	20,885	27,772	34,330	40,987	51,144	60,233	66,265	72,781			

Printed by: Catherine Yandle

SPAR.net

Print Date: 0

Risk Report Appendix 6

Report for 2018-2019

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: 3 Rivers Disclosure requirements The disclosure arrangements for the new wholly owned SPV are posing technical accounting questions which are exercising our external auditors and Finance department

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note: We have addressed the original concerns we had regarding the accounting for the SPV. We will continue to consult with our technical adviser if there are any further queries.

Risk: 3 Rivers Governance Arrangements Maintaining arms-length status and not falling foul of state aid legislation, successfully countermanning challenge.

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: Being closely monitored internally and by our External auditors. Aware of relevant legislation

Risk: 3 Rivers Loan 3 Rivers are unable to service and repay the loan from MDDC, this will depend on Economic factors and their success in the marketplace commercially.

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: Jo Nacey

Risk Report Appendix 6

Review Note: We continue to monitor the progress of the projects relating to the loans we have advanced. An impairment review will take place at year end as part of new accounting standards IFRS 9. Our position on the risk of default will need to be agreed with the auditors.

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 on the website

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

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: When local plan adopted this will assist supply. GED team working proactively with businesses and landowners to assist in signposting.

Risk: Contingency - Business Continuity Having an ineffective Business Continuity Plan in place to complement 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.

Risk Report Appendix 6

- Fuel strikes

- Industrial action

Failure to plan for this and implement contingency procedures will affect service delivery.

Service: Governance

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Catherine Yandle

Review Note: Carried out a useful controlled live exercise on 25/26 February. Important issues identified and action plan in preparation; will be discussed at GMT on Monday 11 March.

Risk: Corp RA - Recycling Income Reduction in material income levels due to market forces.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Street Scene Services

Current Status: No Data

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Stuart Noyce

Review Note: Process monitored each month. Prices seem to have stabilised a possible effect of Brexit.

Risk: Culm Garden Village Financial risk if bid for capacity funding fails as costs are being incurred already

Effects (Impact/Severity):

Causes (Likelihood):

Service: Planning

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note: A decision would need to be made about future funding and the appetite to proceed with the Project.

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

Risk Report Appendix 6

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note:

Risk: Evictions Tenants being evicted could become violent.

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: The assessment of the risk remains the same, as the Housing Service is required to house vulnerable people with complex needs who may exhibit challenging behaviour if they feel threatened. An eviction can be a very traumatic event for such people.

Risk: Funding Insufficient resources to deliver growth aspirations of Corporate Plan.

Effects (Impact/Severity): Reputational

Local impact on service provision to Mid Devon businesses resulting in reduced opportunities for those businesses, which other Districts may be able to offer = business migration

Causes (Likelihood): Loss of EU funding

Loss of Central Government funding

Changes to funding priorities

Service: Growth, Economy and Development

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Adrian Welsh

Review Note: Multiple work streams requiring staff resource and wide skill set, lack of success to lever in funding to deliver growth and associated infrastructure.

Consequence: Failure to realise growth aspirations, hampers economic growth, insufficient housing to meet needs, lack of progress on strategic sites, failure to secure business rate growth, Garden Village project does not happen or does not meet GV quality aspirations.

Mitigation: Prioritisation of staff resource, bids and expression of interest submissions to suitable Government funding streams to deliver infrastructure, unlock sites and cover costs of staff resource, effective utilisation of s106 monies, develop collaborative and partnership working

Risk Report Appendix 6

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

Effects (Impact/Severity):

Causes (Likelihood):

Service: Governance

Current Status: Medium (10)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Catherine Yandle

Review Note: Information audit work now suspended until the New Year, Several departments have been reviewed Building control and Street scene next priorities.

Risk: H&S RA - Carlu Close Depot Inherent risk at Carlu Close site - highest scoring risk

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: Changes have been made to operations at Carlu Close such as not idling engines inside the building, varying fan use, leaving main doors open to improve ventilation etc. Air Quality testing results prove CO2 readings are at an acceptable level.

Risk: H&S RA - Enforcement Officer Enforcement Officer Risk assessment

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: Alert system updated (new provider)

Risk: H&S RA - Litter picking Litter picking - Risk of accident/injury from vehicles when working roadside

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: Darren Beer

Review Note:

Risk Report Appendix 6

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: SSoW/designated walkways/PPE/Reversing Assistants/Equipment servicing. Regular alarm testing and equipment checks/flammable materials outside.

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: SSoW/Training & Instruction/Mobile phones

Risk: H&S RA - Street Cleansing Operative Risk assessment for role - highest risk from role - Risk of accident/injury when working roadside

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 assessment for role - highest risk from role - Risk of accident/injury when working roadside. Work is carried out following Chapter 8 Guidance

Risk Report Appendix 6

Risk: H&S RA - Tractor Operations Tractor with Side Arm Flail Operations (Where applicable this RA is to be used in conjunction with the Working by roadside RA and the Hand Held Hedge Cutter RA)

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: Darren Beer

Review Note: SS of W in place for tractor operations.

Risk: H&S RA - Tree Operations including the use of a chainsaw Tree Operations

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Darren Beer

Review Note: Team only complete work on small or fallen trees from the ground.
SSOW in place for Tree Operations

Risk: H&S RA - Use of GM vehicles (inc. loading, tipping, trailers and use of water bowser) Loading vehicles + unloading on site

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: Darren Beer

Review Note: SS of W in place for MDDC vehicles.

Risk: H&S RA - Working at height Use of Ladders

Effects (Impact/Severity):

Causes (Likelihood):

Service: Grounds Maintenance

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Darren Beer

Review Note: Using a MWEF removed from current practice
SSOW in place for Working at Height

Risk Report Appendix 6

Risk: H&S RA - Working by Roadside Urban/Rural Carrying out activities and tasks by the roadside.

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: Darren Beer

Review Note: SS of W in place for working at roadside.

Risk: H&S RA -Waste Collection - Health and Safety Risk of other vehicle users becoming involved in RTA's

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: SSoW/Training and instruction/Accident and incident reporting system/Mobile phone communication

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: The assessment of the risk remains the same but it should be noted that the Housing Service works closely with partners including the Devon and Somerset Fire and Rescue Service to help those who hoard to understand the possible consequences of their behaviour and to help them to commence addressing the issues.

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

Risk Report Appendix 6

intervention.

- Possible increase in temporary accommodation usage.

Causes (Likelihood): New legislation implemented in April 2018 introduced new statutory duties and as a result the numbers of people presenting as homeless are increased, having an impact upon workloads.

Service: Housing Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Claire Fry

Review Note: The new referral procedure implemented in accordance with the provisions of the Homelessness Reduction Act is now resulting in more cases, therefore we monitor this risk as a matter of routine. Mitigating factors are still effective and the team is managing the work load.

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: Medium (6)

Current Risk Severity: 3 - Medium

Current Risk Likelihood: 2 - Low

Service Manager: Claire Fry

Review Note: Managed migration of all benefit claimants onto Universal Credit has been delayed, there are approximately 230 Current Tenants in receipt of this benefit at the present time and this is being managed effectively following the restructure of the Neighborhood Teams. Although we anticipate that the Government will introduce a new form of tenure these plans appear to have been delayed due to other pressing matters.

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: Alan Keates

Review Note: Although technical controls are in place to help to mitigate this risk, there is still a high probability that human error could potentially cause a severe data breach or malware infection. User awareness training is regularly taking place to help reduce this risk.

Risk Report Appendix 6

Risk: Legionella Legionella

Effects (Impact/Severity):

Causes (Likelihood):

Service: Leisure Services

Current Status: No Data

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 2 - Low

Service Manager: Darren Beer, Heather Hargreaves

Review Note:

Risk: Localism Act - Community Right to Buy / Challenge Transference of services to the community could enable the Council to identify cost savings

Effects (Impact/Severity):

Causes (Likelihood):

Service: Financial Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Jo Nacey

Review Note:

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: Health & Safety Officer trailing new Lone Working equipment.

Risk: Management of Legionella within Corporate Assets The risk assessment covers the Management control, including practises and procedures, of Legionella across all Commercial Assets

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note: Updated for improvement potential - refer to comments submitted 07.03.19

Risk Report Appendix 6

Risk: Multi Storey Car Park Injury may result from vehicle movements

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note: The MSCP is now 24/7 opening that has resulted in numerous instances of anti social behavior, vandalism and mis-use of the building. Meeting held 06.03.19 with various agencies to produce an action plan, the Police were present.

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: Jo Nacey

Review Note:

Risk: Palmerston Park Development of 26 houses - liquidator exploring a claim against us regarding losses and damages re previous contractor.

Effects (Impact/Severity):

Causes (Likelihood):

Service: Property Services

Current Status: High (15)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note: Protocol being followed - meeting taken place and detailed response letter(s) sent.

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, Heather Hargreaves

Review Note: No Change

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, Heather Hargreaves

Review Note: No Change

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
(6)

Current Risk Severity: 3 - Medium

Current Risk Likelihood: 2 - Low

Service Manager: Andrew Busby

Review Note: Demolition work complete - construction phase underway that includes a crane being erected on site. Contractor has control measures in place, alongside project management.

Risk: Reduced Funding - Budget Cuts We are subject to continuing budget reductions. If we concentrate on short term cost savings, it may increase long term impact of decisions

Effects (Impact/Severity):

- Increased workforce stress and declining morale can add to the dangers of a major incident if staff come under pressure as budget cuts force changes in operational models
- Budget cuts may limit the financial resources that we can dedicate to network security potentially making us more vulnerable to cyber-attacks
- Use of reserves to supplement reduced funding for budgets could put a strain on reserves in future, with inability to maintain them
- The Council could significantly over or underspend against budget on the provision of Council services
- There may be inefficient use of public money and a failure to comply with the Council's objectives
- The relative scale of impact in an incident will be higher due to decreased organisational resilience as a result of diminishing financial reserves and workforce response capacity

Causes (Likelihood):

- Severe financial pressure caused by a significant reduction to the Council's Revenue Support Grant
- Ceasing of other grants

Service: Financial Services

Current Status: High
(20)

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 4 - High

Service Manager: Jo Nacey

Review Note: We continue to search for efficiencies within our services to bring forth savings. Due to the savings we have implemented in the past the scope for further savings is limited. We have a significant gap to close for 2020/2021 and this will be a difficult challenge.

Risk Report Appendix 6

Risk: Reduced Funding - Service Cuts With continued reductions in funding, there may be a long-term need to plan reduced or cease non-statutory services.

Effects (Impact/Severity): • With the economic downturn there is risk of balancing reduced services with customer expectations in an increasing demand-led environment.
• Financial costs arising from reduced services (eg insurance claims due to flicking stones when cutting long grass)

Causes (Likelihood): • Severe financial pressure caused by a significant reduction to the Council's Revenue Support Grant

Service: Financial Services

Current Status: High (16)	Current Risk Severity: 4 - High	Current Risk Likelihood: 4 - High
----------------------------------	--	--

Service Manager: Jo Nacey

Review Note: We now receive no RSG and the upcoming Fair Funding Review makes planning more difficult until we receive notification of what this means to our funding. We are unlikely to see significant increases in our Central Government funding and therefore we may have to look to our own funding streams and at our discretionary services to see if they are viable.

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: Jane Lewis

Review Note: Now that there is a full time Communication Officer in post this provides the council with improved social media monitoring and we are more likely to respond in a timely manner. The media policy and social media guidelines are also currently being reviewed and will be taken to the Community PDG in November 2018.

Risk: Reputational re Council Housing Stock Failure in handling a disaster/mistake properly

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: the assessment of the risk remains the same but there are adopted policies and procedures which should mitigate the risk of a disaster happening. Furthermore, we have trained and experienced staff.

Risk Report Appendix 6

Risk: S106 Agreement Inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements

Effects (Impact/Severity):

Causes (Likelihood):

Service: Planning

Current Status: No Data

Current Risk Severity: 5 - Very High

Current Risk Likelihood: 3 - Medium

Service Manager: Jenny Clifford

Review Note: Project to update records is progressing and will allow better tracking of payments due /made and trigger dates.

Risk: Safeguarding Young Persons and Vulnerable Adults Safeguarding/Child Protection associated risks, including accusations of, in situations where a person may come into contact with children or vulnerable adults. Also, psychological and emotional impact on officer in contact with such situation as well as having robust policies and knowledge of by officers and Members when faced with a safeguarding/child protection situation.

Effects (Impact/Severity): Medium

Causes (Likelihood): medium due to supervisory arrangements

Service: Property Services

Current Status: Medium (12)

Current Risk Severity: 4 - High

Current Risk Likelihood: 3 - Medium

Service Manager: Andrew Busby

Review Note: Activities in the MSCP are increasing this risk at present a multi agency plan is being formulated.

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, Heather Hargreaves

Review Note: No Change

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

Risk Report Appendix 6

Review Note: The risk assessment remains the same due to the nature of the work. Whilst we have a strong supervision framework in place, provide appropriate training and access to support as necessary, Officers are often required to work with challenging people, make key decisions which can have a profound impact upon individuals and juggle conflicting priorities.

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, Heather Hargreaves

Review Note: No Change

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, Heather Hargreaves

Review Note: No Change

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: The risk assessment remains the same because vulnerable people may need support and may also exhibit challenging behaviour which could impact staff wellbeing. We provide appropriate training for staff and have good links with other agencies including the Police, social services, Wiser£money, CHAT, the CA etc

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Risk Matrix

Report For MDDC - Services Current settings

Risk Likelihood	5 - Very High	No Risks	No Risks	No Risks	No Risks	No Risks
	4 - High	No Risks	3 Risks	2 Risks	1 Risk	2 Risks
	3 - Medium	No Risks	2 Risks	10 Risks	14 Risks	9 Risks
	2 - Low	1 Risk	24 Risks	48 Risks	32 Risks	16 Risks
	1 - Very Low	4 Risks	7 Risks	10 Risks	14 Risks	16 Risks
		1 - Very Low	2 - Low	3 - Medium	4 - High	5 - Very High
		Risk Severity				

Printed by: Catherine Yandle

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Print Date: 07 March 2019 17:19

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AUDIT COMMITTEE 19 MARCH 2019

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 2017/18 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 16 July 2018.
- 1.2 The Action Plan is attached as Appendix A and progress updates have been noted on the document.
- 1.3 There were 10 issues identified in the 2017/18 Annual Governance Statement. Some dates for completion have been amended but progress has been steady.
- 1.4 Progress against the Action Plan will be reported at each Audit Committee. There is a column for RAG status to make progress clearer.

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

Circulation of the Report: Leadership Team and Cllr Clive Eginton

List of Background Papers: None

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Annual Governance Statement (2017/18)

Annual Governance Statement 2017-18 Action Plan				
Issues Identified	Action to be taken	By whom and progress	When	Status
1. The Internal Audit report for Development Control identified "Improvements Required" with regard to the inability of the legacy systems to provide a full overview of the 'trigger points' for all of the s106 agreements.	A project to address this is ongoing through use of specialised software, although populating the system is time consuming as many of the s106 agreements are complex. The current position is being reviewed by senior management and additional temporary staff engaged to clear the backlog.	<p>The Head of Planning, Economy and Regeneration</p> <p><u>Significant progress has been made; the planning system is now being reconciled with the financial system.</u> An updated database of S106 records has been put in place.</p> <p>Planning S106 Governance proposals were considered at Cabinet in October when it was resolved to agree them for consultation with the Parish and Town Councils. Following consultation a further report will be taken to Cabinet.</p> <p><u>A Group Manager Working Group has been set up to do further work on this. New legislation requires information to be published from June 2019</u></p>	<p>31 January 2019 <u>30 September 2019</u></p> <p><u>Cabinet 7 March 2019</u></p>	
2. Increase ethics awareness training in the staff induction process	Write an ethics training module in the new Learning Management System for the mandatory induction process	<p>Director of Business Transformation and Corporate Affairs</p> <p><u>Research has been done writing the course is the next stage</u></p>	<p>31 January 2019 31 March 2019</p>	

Annual Governance Statement (2017/18)

3. Evidence of balancing feedback from more active stakeholders with other stakeholders to ensure inclusivity	The Community Engagement Strategy and Action Plan are due to go to Community PDG	Director of Business Transformation and Corporate Affairs	20 November 2018	
4. We need processes for dealing with competing demands on the budget from the community	The Community Engagement Strategy and Action Plan are due to go to Community PDG	Director of Business Transformation and Corporate Affairs	20 November 2018	
	All Members' Budget Prioritisation Away Day	Deputy Chief Executive	7 September 2018	
5. Still more benchmarking information is needed and stronger links between financial and performance monitoring	Link between finance and performance to be reinforced in Service Business Plans for 2019/20.	Deputy Chief Executive LT approving the final plans in January	31 January 2019	
6. Service plans do not yet demonstrate consideration of 'social value'	Link between finance and performance to be reinforced in Service Business Plans for 2019/20.	Deputy Chief Executive LT approving the final plans in January	31 January 2019	
7. 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	Skills Audit to be completed by collecting information as part of the appraisal process and utilisation of the LMS system to record qualifications and experience.	Director of Business Transformation and Corporate Affairs Meeting with SW Councils to scope this project was held on 31 August, project start date was agreed as January 2019. <u>Now delayed to await</u>	January to October <u>March to December</u> 2019	

Annual Governance Statement (2017/18)

	to retain the skills and experience needed. Measures are being implemented to combat this risk.	Succession Planning Policy is required; was included in the revised HR Strategy.	<u>start of new HR GM – 1 March 2019</u> This went to Cabinet on 30 August and was approved.	30 September 2018	
	8. A Sickness Absence Action Plan is being developed by HR and the Health and Safety Officer	This went to Leadership Team for approval in October	Director of Business Transformation and Corporate Affairs HR and Learning have rolled out “return-to-work interview” training for managers. Plan is not yet fully implemented	30 November 2018	
	9. GDPR legislation now needs to be followed up with compliance and enforcement work.	A programme of Information audits is planned from Autumn 2018 to ensure, and enforce, compliance with the Data Protection Act 2018	Director of Business Transformation and Corporate Affairs The information audit work started in September and is programmed until the end of November. Work will then re-commence <u>in the new year</u> <u>An audit has been done on this area by DAP, awaiting the report.</u>	31 October 2018 Ongoing	
	10. Of the 7 areas where Partial compliance with the Public Sector Internal Audit Standards were identified; 5 are now fully compliant and 2 have identified further actions to achieve full	Address remaining areas with “P” assessment via Quality Assurance Improvement Plan (QAIP). This will entail supporting the Council developing and maintaining an assurance map integrating this	DAP Deputy Head of Partnership The QAIP was approved by the Dap Management Board at their meeting on 17 October	September 2018 to March 2019	

Annual Governance Statement (2017/18)

compliance	with the risk management framework. Review of the risk management framework will commenced <u>d</u> in September 2018.			
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Green is completed Amber is in Progress Red is not completed White is not due for completion yet

AUDIT COMMITTEE 19 MARCH 2019

RISK & OPPORTUNITY MANAGEMENT STRATEGY

Cabinet Member Cllr Peter Hare-Scott, Cabinet Member for Finance
Responsible Officer Catherine Yandle, Group Manager for Performance, Governance and Data Security

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

RECOMMENDATIONS:

The Committee approves the updated Risk & Opportunity Management Strategy (Appendix A).

Relationship to Corporate Plan: Having effective Risk & Opportunity Management arrangements in place is crucial to enable the Council to identify opportunities and mitigate risks to the Priorities contained in the Corporate Plan.

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

Legal Implications: Potential breach of the Accounts and Audit Regulations (2015).

Risk Assessment:

- i. Failure to take advantage of opportunities and mitigate business risks could impact on the Council's ability to deliver its strategic objectives.
- ii. Assessment of the effectiveness of the framework for identifying and managing risks and for performance and demonstrating clear accountability is a key element of the Council's governance arrangements.

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

1.0 Introduction

- 1.1 The Risk & Opportunity Management Strategy was last updated and approved by the Audit Committee on 20 March 2018.
- 1.2 The Council has a legal obligation to comply with the requirements placed upon it by the Accounts and Audit Regulations (2015) to conduct a review at least once a year of its system of internal control and include a statement reporting on the review with any published Statement of Accounts. For a local authority in England that statement is the Annual Governance Statement as will be presented to this Committee with the Statement of Accounts in May.
- 1.3 One of the principles of good governance as defined by the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) is:

Managing risks and performance through internal control and strong public financial management.

- 1.4 Risk Management forms an integral part of the Annual Governance Statement which is concerned with demonstrating that the Council has adequate and effective internal control arrangements in place for dealing with key business risks.
- 1.5 The purpose of this report is to update the Council's Risk & Opportunity Management Strategy (attached as Appendix A) for the 2019/20 financial year. For ease of reference the changes to the document have been tracked. The necessity of regular reviews for risks has been strengthened.

2.0 Risk Appetite/Tolerance and Reporting

- 2.1 Risk appetite is best summarised as 'the amount of risk an organisation is willing to seek or accept in pursuit of its long term objectives'. The Council aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. The Council's risk appetite scoring diagram or matrix is shown in section 2.2.
- 2.2 Risk tolerance is the level of risk which is acceptable to the Council. The Council's present tolerance levels are:
 - **5 or less – Low,**
 - **6 to 12 – Medium,**
 - **15 to 25 - High.**

The matrix looks like this:

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

- 2.3 Risks scoring 10 and above are reported to Committees on the Performance and Risk reports 6 times a year from SPAR, the Corporate Service Performance and Risk Management system.

- 2.4 It is not proposed to change the Council's tolerance level or reporting arrangements at this time. However some clarification of the scoring guidance has been reflected in the revised Strategy attached at Appendix A.

3.0 Conclusion

- 3.1 Risk & Opportunity Management is not a separate initiative, but is a demonstration of good management practice. The Council has an obligation to provide assurance to Members and the Community that the principles of good governance, including Risk & Opportunity Management are reflected in the activities of the Council.
- 3.2 Approval of the Risk & Opportunity Management Strategy (Appendix A) will assist with the Council embedding Risk and Opportunity Management and demonstrating good Governance principles.

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

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

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Risk Management on SPAR.net

This document is a guide to Risk Management on SPAR.net. It should be read in conjunction with the Council's Risk Management Strategy and Health and Safety policies, all available on SharePoint.

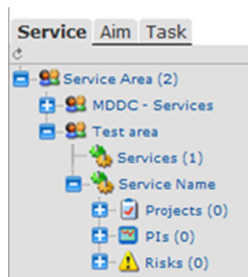
The Process

Service Managers should complete Risk Assessments for:

- Strategic and Service risks, annually (using their Business Plans) and as and when required (eg through Delegated Decision forms)
- Operational risks (including Health and Safety risks), annually and every time a change occurs in the office environment or job role (using the Risk Assessment template)
- Events (facilitated by the Council), in the planning stage and for the venue for each event
- Projects, in the planning stage using a project risk assessment form and for long-term projects, a review summary annually (in Business Plans).
- Partnerships, in the planning stage (using the Risk Assessment template) and a review summary annually (in Business Plans).

Upon completion of a Risk Assessment, Heads of Service are required to sign-off the form. At this stage, the **Heads of Service Group Managers** should score the risk by rating the severity and likelihood. A copy of this form should then be passed to the Council's Health and Safety Advisor for Health and Safety Risks or to **Internal Audit Group Manager for Performance, Governance and Data Security** for all others. This information will then be entered onto the Council's Risk Register on SPAR.net.

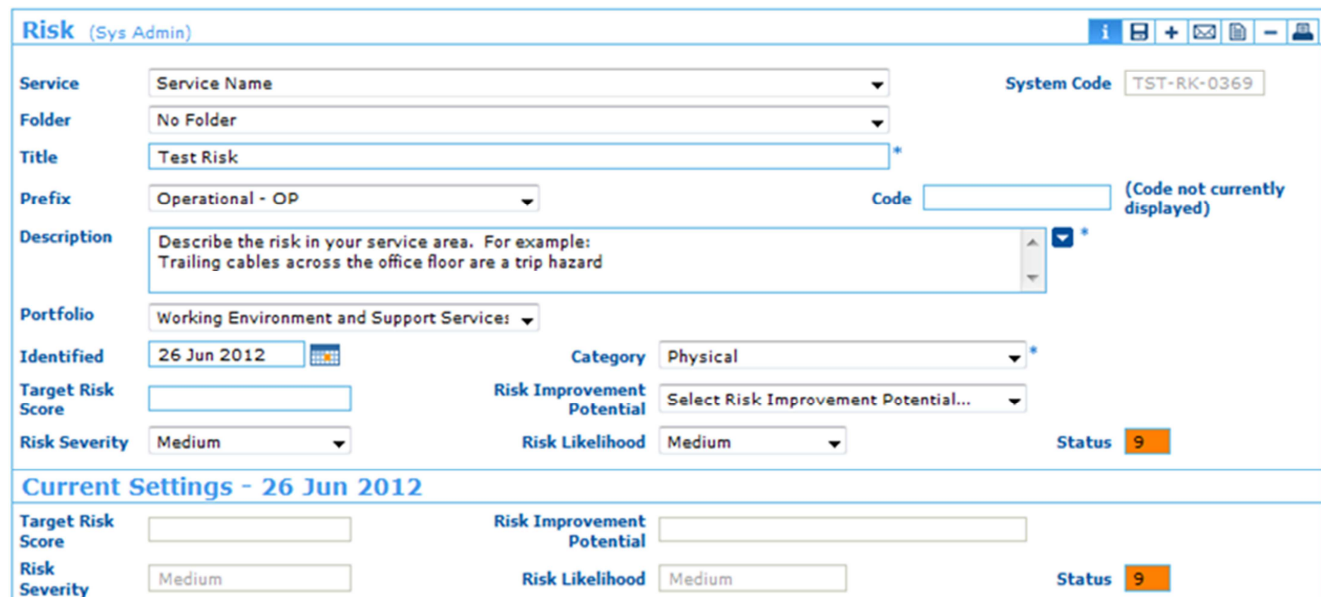
Risks will also be collected from information contained within Internal Audit reports and Committee reports.



The Risk Register

Risks on SPAR.net can be located using the menu on the left. Select Service, then click on the cross next to your service name and you will see a sub menu for Projects, PIs and Risks. Select Risks to view the risks currently registered for your area.

Each risk will have a front page detailing information about the risk, based on the information given in the Risk Assessment.



Risk (Sys Admin)

Service Service Name **System Code** TST-RK-0369

Folder No Folder

Title Test Risk *

Prefix Operational - OP **Code** (Code not currently displayed)

Description Describe the risk in your service area. For example:
Trailing cables across the office floor are a trip hazard *

Portfolio Working Environment and Support Services

Identified 26 Jun 2012 **Category** Physical *

Target Risk Score **Risk Improvement Potential** Select Risk Improvement Potential...

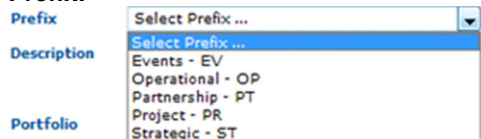
Risk Severity Medium **Risk Likelihood** Medium **Status** 9

Current Settings - 26 Jun 2012

Target Risk Score **Risk Improvement Potential**

Risk Severity Medium **Risk Likelihood** Medium **Status** 9

Prefix:



Prefix Select Prefix ...

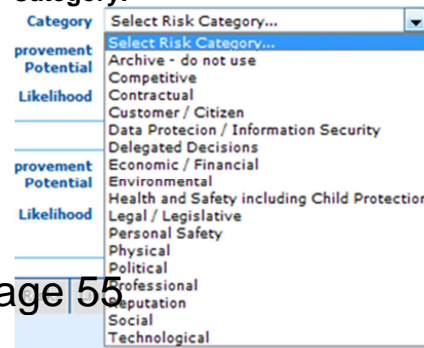
Description Select Prefix ...

Portfolio Select Prefix ...

The prefix identifies the type of risk.

The category identifies the associated impact. The categories follow the list detailed in the Risk Management Strategy.

Category:



Category Select Risk Category... *

provement Potential Select Risk Category...

Likelihood Select Risk Category...

provement Potential Select Risk Category...

Likelihood Select Risk Category...

A Brief Introduction to Risk Management

A hazard is anything that may cause harm (to people or to the service/Council). The risk is the likelihood of that harm occurring, together with an indication of how serious that harm could be.

Risk management **is** about:

- Ensuring that workers and the public are properly protected
- Providing overall benefit to society by balancing benefits and risks, with a focus on reducing real risks – both those which arise more often and those with serious consequences
- Enabling innovation and learning not stifling them
- Ensuring that those who create risks manage them responsibly and understand that failure to manage real risks responsibly is likely to lead to robust action
- Enabling individuals to understand that as well as the right to protection, they also have to exercise responsibility

Risk management **is not** about:

- Creating a totally risk free society
- Generating useless paperwork mountains
- Scaring people by exaggerating or publicising trivial risks
- Stopping important recreational and learning activities for individuals where the risks are managed
- Reducing protection of people from risks that cause real harm and suffering

Who Might be Harmed and How

The Risk Assessment form asks to identify who might be harmed by each hazard. This does not mean listing everyone by name, but rather identifying groups of people (eg 'people working in the office').

In each case, identify how they might be harmed, ie what type of injury or ill health might occur. For example, 'shelf stackers may suffer back injury from repeated lifting of boxes'.

Remember:

- some workers have particular requirements, eg new and young workers, new or expectant mothers and people with disabilities may be at particular risk. Extra thought will be needed for some hazards;
- cleaners, visitors and volunteers, contractors, maintenance workers etc, who may not be in the workplace all the time;
- members of the public, if they could be hurt by your activities;
- if you share your workplace, you will need to think about how your work affects others present, as well as how their work affects your staff – talk to them; and
- ask your staff if they can think of anyone you may have missed.

We also have a duty to be aware of and report on instances affecting Child Protection and potential issues in relation to the Equality Act.

Scoring Risks

Risk Severity

The Risk Severity measures the impact. The following guide is neither prescriptive nor exhaustive but should provide a framework for the range of impacts a risk could have and how to score such impacts.

Risk Severity	No Data
Current Score	Very Low
Target Risk	Low
Score	Medium
Risk	High
Severity	Very High

1 - Very Low

- Localised minor injury or health impact to one person (no time off work required)
- Small financial loss or service cost increase (less than £5,000)

2 - Low

- Localised minor injury or health impact to one person (small time off work required eg less than 1 week)
- ~~Small financial loss or service cost increase (less than £5,000)~~
- Some loss of confidence and trust in the Council felt by a certain group or within a small geographical area
- Financial loss or service cost increase (eg over £5,000)
- Theft of Council property, assets, resources (less than £5,000)

3 - Medium

- Minor injury or health impact to multiple persons (small time off work required eg less than 1 week)
- Injury or health impact to one person (substantial time off work required eg more than 1 week)
- Contract, resource, data or equipment failure resulting in short-term inability to maintain service
- Capacity of technology unable to meet changing demands of service needs

- Incorrect information being published / use of incorrect information in financial calculations, financial transactions are incorrectly processed resulting in incorrect payments
- Lax service delivery and/or inability to meet non-statutory service objectives / targets
- ~~Financial loss or service cost increase (eg over £5,000)~~
- ~~Theft of Council property, assets, resources (less than £5,000)~~
- General loss of confidence and trust in the Council within the local community
- Substantial financial loss or service cost increase (eg over £50,000)
- Theft of Council property, assets, resources (eg over £5,000)

4 - High

- Serious injury or health impact to one person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain service or short-term inability to maintain several services
- Localised damage to Council property / premises
- Localised environmental impact
- Breaches of, or damning external audit report for failure to comply with, legislation / accepted standards eg CIPFA, Data Protection, TUPE, Equality Act
- ~~Substantial financial loss or service cost increase (eg over £50,000)~~
- Inability to meet Council objectives, customer requirements or financial commitments
- Inefficient use of resources, services offering poor value for money, officers at risk of false accusations of fraud, corruption or misappropriation
- ~~Theft of Council property, assets, resources (eg over £5,000)~~
- Poor / incorrect political and managerial decision-making could take place
- Inability to account for all income received, expenditure made and other financial information
- Major loss of confidence and trust in the Council within the District
- Serious financial loss or service cost increase (eg over £250,000)
- Theft of Council property, assets, resources (eg over £50,000)

5 - Very High

- Serious injury or health impact to several or death of a person
- Loss of contract, resource, data or equipment resulting in long-term inability to maintain several services
- Serious damage / destruction of Council property / premises
- Prosecution for failing to comply with / serious breach in, or non-application of legislation / accepted standards
- Serious, District-wide environmental impact
- ~~Serious financial loss or service cost increase (eg over £100,000)~~
- Failure to deliver either local or central Government policy, statutory timescales are not met
- ~~Theft of Council property, assets, resources (eg over £50,000)~~
- Failure of internal control systems, leading to the possibility of fraud, corruption, loss, extravagance, waste or embarrassment to the Council
- Disastrous loss of confidence and trust in the Council both locally and nationally
- Serious financial loss or service cost increase (eg over £1,000,000)

Likelihood Ratings

The likelihood rating needs to be based on **existing** precautionary measures in place, at the time of the Risk Assessment. When measuring the likelihood, consider the level of internal controls or mitigating actions in place as well as frequency of contact with hazardous situation. For example:

Risk Likelihood	0 - No Data
	0 - No Data
	Very Low
	Low
	Medium
	High
	Very High

1 - Very Low

- Substantive, effective, tested and verifiable internal controls / mitigating actions in place
- Previous experience at this and other similar organisations makes this outcome highly unlikely to occur

2 - Low

- Effective internal controls / mitigating actions in place
- Previous experience discounts this risk as being likely to occur but other organisations have experienced problems in this area

3 - Medium

- Some internal controls / mitigating actions in place, but in need of review / improvement
- Existing controls generally work but there have been occasions when they have failed and problems have arisen
- The Council has in the past experienced problems in this area but not in the last 12 months

4 - High

- Poor or ineffective internal controls / mitigating actions in place, or existing controls are generally ignored
- The Council has experienced problems in this area within the last 12 months

5 - Very High

- No internal controls / mitigating actions in place
- The Council is experiencing problems in this area or expects to within the next 12 months

Risk Information

Information about how the risk was scored is entered into the fields in the Risk Info tab:

Reviews	Risk Info	Mitigating Actions	Risk Child Projects	Risks	Links	Notes	Flags	Aims	Personnel
?									
Impact									
Information about the impact the hazard could have and the rating this equates to (Very Low, Low, Medium, High, Very High)									
Likelihood									
Information about the likelihood of the risk occurring and the rating this equates to (Very Low, Low, Medium, High, Very High) Include details about any existing mitigating actions or internal controls in place									

Mitigating Actions

There are four ways of managing identified risks:

Accept

Transfer

Reduce

Eliminate

The Risk Assessment form and SPAR gives the opportunity to identify mitigating actions we can take to reduce or remove (eliminate) the likelihood of the risk, or its impact. The law requires us to do everything 'reasonably practicable' to protect people from harm.

Compare what we are already doing and existing controls in place with good practice and identify any potential for improvement. Consider:

- Can we get rid of the hazard altogether?
- If not, how can we control the risks so that harm is unlikely?

When controlling risks, apply the principles below, if possible in the following order:

- try a less risky option (eg switch to using a less hazardous chemical);
- prevent access to the hazard (eg by guarding);
- organise work to reduce exposure to the hazard (eg put barriers between pedestrians and traffic);
- issue personal protective equipment (eg clothing, footwear, goggles etc); and
- provide welfare facilities (eg first aid and washing facilities for removal of contamination).

It is important that Service Managers involve staff in Risk Assessments to check that suggested mitigating actions will work in practice and won't introduce any new hazards.

Reviews	Risk Info	Mitigating Actions	Risk Child Projects	Risks	Links	Notes	Flags	Aims	Personnel
?									
Mitigating Action		Reason for Actions		Responsible Person	Completion Date	Current Mitigation Status	Current Effectiveness of Actions		
Move cables		Move cables so they follow edge of office, or if not possible, use appropriate safety cover to keep them in place		Zoë Lentell	30/06/2012	No Data available	No Score (0)		
<div>Records 4 Page 1 of 1</div> <div>Add</div>									

If the cost of reducing a risk or eliminating it completely is too high or impractical to the service, then you may accept the risk at its current level. Please make a note in the Risk Information section to that effect (and why) and show on the "Risk Improvement Potential" drop down box that the risk improvement is Low – unlikely.

Risk Assessment Reviews

Risk Assessments should be reviewed formally every year, high scoring risks every 3 months, to make sure we are still improving, or at least not sliding back. Individual high scoring risks, as well as projects and partnerships, should be reviewed more frequently. The following should be considered when reviewing Risk Assessments: Have there been any changes? Are there improvements we still need to make? Have workers spotted a problem? Are there any lessons learnt from accidents or near misses?

During the year, if there is a significant change, risk assessments should be amended as necessary. If possible, it is best to think about the risk assessment when planning any change.

The Review tab will have annual review dates added, so that SPAR.net will email service managers a reminder about a month before the review is due to be completed:

Reviews	Risk Info	Mitigating Actions	Risk Child Projects	Risks	Links	Notes	Flags	Aims	Personnel	
										?
Title							Date	Risk Severity	Risk Likelihood	Risk Status
Initial Risk Review							26 Jun 2012	Medium	Medium	9
							Records 4	Page 1 of 1		⏮ ⏪ ⏩ ⏭

You should amend your risk scores using a Risk Review to show the progress from your initial risk status to your current risk status. Risk Reviews also give you the opportunity to assess the effectiveness of your mitigating actions.

SPAR.net Alerts

Once SPAR.net has been updated with the relevant information, an email alert will be sent to:

- 1) the ~~Head of Service~~ Group Manager to “agree” the information through “sign-off”; and then to
- 2) the Risk Advisor for information – this will be Mick Lowe for Health and Safety risks and Group Manager for Performance, Governance and Data Security ~~Amy Tregellas~~ for corporate risks.

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Risk & Opportunity Management Strategy 2019/20



1.0 BACKGROUND

1.1 This combined Risk and Opportunity Management Strategy details the Council's framework for managing business risk and opportunity. The management of risk and opportunity is now acknowledged as a feature of public sector management. It is an integral part of the Council's Corporate Governance arrangements and the Council has a statutory responsibility under the Account and Audit Regulations to put in place arrangements for the management of risks.

1.2 The definition of risk varies. ALARM (the Association of Local Authority Risk Managers) defines Risk Management as follows:

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

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

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

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

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

2.0 PURPOSE, AIMS AND OBJECTIVES

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

- ❑ An efficient control environment
- ❑ Accountability for risk and opportunity management throughout the organisation
- ❑ A culture where officers and Members are able to be more creative and innovative in taking opportunities that benefit the Council and the District provided that there is clear analysis of the risks and a robust justification for the decision
- ❑ A well-established risk and opportunity assessment process which ensures that risks and opportunities are considered and managed as part of the decision making process
- ❑ Performance monitoring of risk and opportunity management activity
- ❑ Communications process to support risk and opportunity management
- ❑ A robust opinion for the Annual Governance Statement which comments of the adequacy of the Council's risk and opportunity management arrangements

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

Risk & Opportunity Management Strategy 2019/20



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

2.4 The risk and opportunity management objectives of the Council are to:

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

2.5 These objectives will be achieved by:

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

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

3.0 ROLES AND RESPONSIBILITIES

3.1 The following groups and individuals have the following roles and responsibilities for risk and opportunity management within the Council.

3.2 The **Audit Committee** will approve this risk and opportunity management strategy and any subsequent revisions. They will also monitor the effective development and operation of risk and opportunity management within the Council by receiving regular progress reports on the Council's key business risks and opportunities, take

Risk & Opportunity Management Strategy 2019/20



appropriate action to ensure that they are being actively managed and will consider the adequacy of the Council's risk and opportunity management arrangements as part of the Annual Governance Statement.

- 3.3 The **Leadership Team** is primarily responsible for setting the organisation's risk appetite and identifying corporate strategic risks and opportunities, as well as being responsible for determining action on these risks and opportunities and delegating responsibility for the control of the risks and opportunities. The wider Group Managers Team will also be responsible for monitoring the progress of managing risks and opportunities and will review the reports to the PDGs, Audit Committee, Cabinet and Scrutiny Committee.
- 3.4 The **Cabinet** will also monitor the effective development and operation of risk and opportunity management within the Council by receiving regular progress reports on the Council's key business risks and opportunities through the performance and risk report.
- 3.5 The **Scrutiny Committee** will also receive regular progress reports on the risks and opportunities through the performance and risk report. Any concerns or issues will be reported to the Cabinet and/or Audit Committee.
- 3.6 The **Policy Development Groups (PDGs)** will receive updates on risks and opportunities relating to any policy development matters.
- 3.7 The **Finance Cabinet Member** will:
 - ❑ Communicate the importance of risk and opportunity management to other Members
 - ❑ Act as a sounding board and provide a critical friend challenge to the risk and opportunity management process
- 3.8 **Head of Service/Group Managers** will be responsible for:
 - ❑ Leading the risk and opportunity management process within their services and ensuring that business plans include an annual assessment of key risks and opportunities
 - ❑ Identifying and managing significant operational risks by carrying out risk assessments with their teams as and when this becomes appropriate i.e. if making a significant change to service or undertaking a project
 - ❑ Developing actions to mitigate the risks identified, assigning responsibility for implementing controls and set realistic target dates for implementation
 - ❑ Ensuring that all risks are on the corporate risk register (the Key Business Risks will be held on SPAR and other service risk assessments held on the corporate health and safety drive)
 - ❑ Regularly reviewing risks associated with their service area(s) ensuring that the agreed actions and deadlines have been met
 - ❑ Ensuring that any briefing papers/ reports that they produce to make changes to their services will consider the associated risks and opportunities of any proposed course of action

Risk & Opportunity Management Strategy 2019/20



- 3.9 The **Group Manager for Performance, Governance and Data Security** is responsible for providing assurance to the Council through monitoring the implementation and effectiveness of this risk and opportunity management strategy and for reviewing compliance with mitigating controls introduced by the Service Managers. The Group Manager for Performance, Governance and Data Security will comment upon the effectiveness of the risk and opportunity management process in work undertaken to support the Annual Governance Statement.

Internal Audit will consider risk and controls in their audit reviews and report on the adequacy of risk management in that area.

- 3.10 The **Health and Safety Committee** is responsible for reviewing the measures taken to ensure the health and safety of all those who work in and visit the Council or may be affected by its activities - ensuring that people are not exposed to risks and that the risks are mitigated effectively. Where concerns are raised these will be escalated to the Health and Safety Officer and Leadership Team for action.
- 3.11 All **employees** need to have an awareness of risk and opportunity management and are responsible for ensuring that they manage risk effectively in their jobs and report hazards and risks to their Group Manager/Service Manager.

4.0 STRATEGIC, OPERATIONAL AND PROJECT RISKS

- 4.1 Broadly speaking risks can be divided into three categories:

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

4.2 Strategic Risks

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

- 4.2.2 The major categories of strategic risk are:

- ❑ **Political** – associated with failure to deliver either local or central government policy. The Council could also potentially be at risk from the actions of other agencies, other Councils, partner organisations, etc.
- ❑ **Economic** – affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures as well as external factors affecting the economy as a whole.

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

4.3 Operational Risks

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

- ❑ **Professional** – associated with the particular nature of each profession (e.g. housing service concerns as to the welfare of tenants).
- ❑ **Financial** – associated with financial planning and control and the adequacy of insurance cover.
- ❑ **Legal** – related to possible breaches of legislation.
- ❑ **Personal Safety** – related to lone working and the potential to encounter aggressive or confrontational people whilst carrying out their duties.
- ❑ **Physical** – related to fire, security, accident prevention and health and safety (e.g. hazards/risk associated with buildings, vehicles, plant and equipment, etc).
- ❑ **Contractual** – associated with the failure of contractors to deliver services or products to the agreed cost and specification.
- ❑ **Technological** – relating to reliance on operational equipment and the potential for technological failure (e.g. IT systems or equipment and machinery)

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4.4 Project Risks

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

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

4.5 Opportunities

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

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

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

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5.0 RISK MANAGEMENT PROCESS

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



5.2 Step 1 – Identify Risks and Opportunities

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

5.3 Step 2 – Analysing Risks and Opportunities

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

There is a separate document for scoring guidance to ensure a consistent approach to scoring risks across the Council's services. Appendix 1

- 5.4 The assessment process uses a 5x5 scoring matrix (see below):

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

Where the scores of impact x likelihood equals the total risk score. Risks scoring between 15 and 25 would be classed as high risk (red) with 25 being the biggest risk. Risks scoring between 6 and 12 would be classed as medium risk (amber) and risks scoring between 1 and 4 would be low risk (green). Risks that score 10 or above will be classed as the Council's key business risks and will be reported to PDGs, the Audit Committee, Cabinet and Scrutiny Committee.

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

High scoring risks will be reviewed by the risk owner at least every 3 months and all risks at least annually. If a risk profile changes at any other time the risk score and review notes should be updated if necessary to keep them current.

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

Benefits of Opportunities

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

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

5.5 Step 3 – Control the Risks

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

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

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

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

5.6 Step 4 – Monitor and Report Progress

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

5.7 It is important to recognise these four steps as part of a cycle. Risk and Opportunity Management is dynamic and so the identification phase needs to be done

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continuously. It is also important to consider whether the nature of the risk or opportunity has changed over time – thereby completing the cycle.

5.8 All risks scoring above 15 will be monitored by Leadership Team at their monthly Corporate Performance meetings. Leadership Team will expect to see effective mitigating factors in place to reduce the risk severity to acceptable levels as soon as possible.

5.9 Leadership Team and Members expect to see up to date and relevant review notes on all risks reported to Committee.

6.0 RISK AND OPPORTUNITY MANAGEMENT TRAINING AND AWARENESS

- 6.1 For the benefits of Risk and Opportunity Management to be realised, it is necessary for the process to be embedded in the culture and operations of the organisation.
- 6.2 The Group Manager for Performance, Governance and Data Security will regularly raise awareness of Risk and Opportunity Management through the Officer newsletter (the Link), the Member newsletter (WIS) and through briefing sessions.

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Internal Audit

Audit Progress Report 2018-19

Mid Devon District Council Audit Committee

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March 2019

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 9.

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 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken in 2018/19, 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 2018/19 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.
Significant Assurance	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 we progressing work covering the Council's key financial controls or where the level of income and expenditure is material in the context of the Council's annual accounts. The coverage is on track to be completed by year end. Those systems reviewed continue to be maintained to a good standard.

The Findings of particular interest already noted in the last report include:

- systems user access controls are not fully reviewed/ amended on staff changes – we are currently reviewing the controls around this.
- risk management information lacks mitigation in many cases.

No material issues have been identified to date.

Risk Based Audits have formed the majority of the work to date. Opinions for the current period are included in appendix 2 to this report.

Findings of particular interest remain the opportunity to improve risk management information and particularly mitigating controls within the risk register. We are near completion of our risk management review and will report in the near future on this.

Reviews in other areas including:

- Grounds maintenance service management;
- Building control partnerships;

Both provide assurance of a sound internal control framework that is generally operating as required and are good examples of where service delivery improvements are working.

Other Work

- Business Continuity Workshop
- Presentation of a risk management workshop
- Counter Fraud Services
- Verification of Council Tax and Housing Benefit parameter tables.

The risk management workshop was to support the Council lift the quality of its risk register to better demonstrate the risk mitigation in place.

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:-

"There were needs from several "areas" that had to be considered"

"we were already reviewing banking procedures, so comments were of help."

"It has helped us to identify areas that we should focus on more or improve our procedures around."

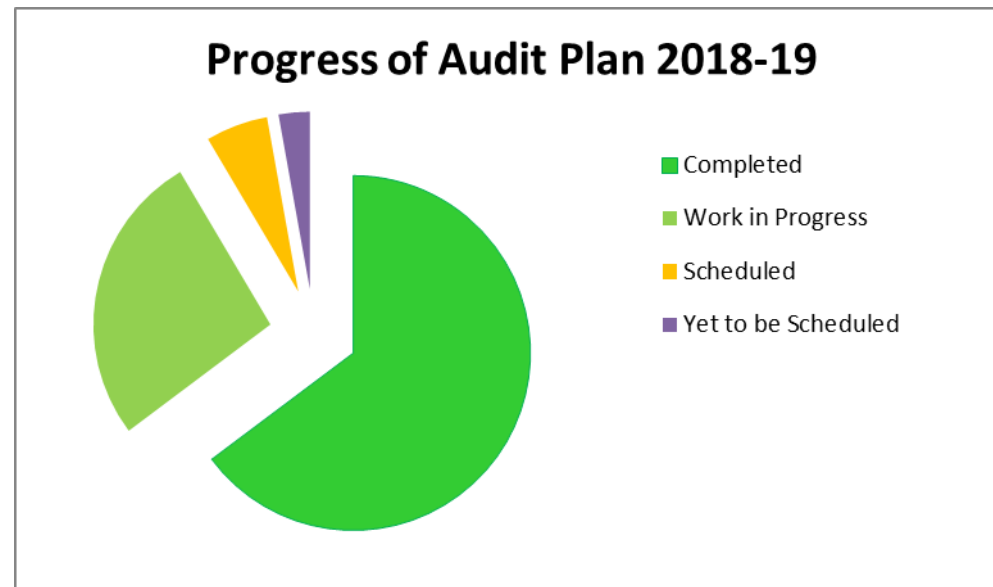
We trust that officers have found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

Audit Coverage and Performance Against Plan

Performance against plan is generally as expected with the larger proportion of the work to be completed in the second half of the year as previously reported. We are utilising wider partnership staff where other skills are required for audit reviews e.g. ICT change management and treasury management arrangements. As agreed at the previous Audit Committees it is expected that DAP will complete the amended plan within the budget. The audits to be deferred to the next years audit have been built into next years audit plan.

The pie charts right shows the progress of audit against plan. The work completed in this period is primarily risk based work with some core key financial systems completed.

Appendix 1 to this report provides a summary of the audits undertaken since our last progress report in 2018/19, 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 the key issues reported. 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 are analysing NFI data to support the Authority on its review to improve single persons discount for council tax and will look to include the new year data into this review

Customer Satisfaction – survey returns score 98% satisfaction year to date.

Appendix 1 – Summary of audit reports and findings for 2018/19

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.

Risk Area / Audit Entity	Audit Report					
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low			Direction of Travel Assurance
Core Audit – Key Financial Systems						
<div>Income and Cash Collection - Cashless</div> <div>Risk / ANA: ANA – Med</div> <div>Spar 4x2=8 Low / Orange</div> <div>Page 75</div>	<div>Good Standard</div> <div>Status: Final</div>	<div>The Council's project to move to cashless income collection from December 1st has been successful in its implementation and was found to be working satisfactorily. Customers can still pay in cash at the kiosk and via the Post Office but it is no-longer taken at the cashiers' desk.</div> <div>There is currently no formal contingency plan for the customer payment kiosk, should the kiosk be unavailable for any reason. There are, however, other payment methods available to customer in the event of the kiosk being out of action (e.g. cash/cheques can be paid in at the Post Office), although it was noted that there was a small number of payments for miscellaneous income that would be problematic.</div> <div>The Council's contract with the kiosk suppliers, KPR for software support, which expired in 2017 and although still operates in full it has not been recently reviewed.</div> <div>Testing of the kiosk transactions through to the cash receipting system (AIM) has been carried out but not all income streams have been tested. No testing has been carried out between AIM and the finance system to ensure that income is being correctly allocated and there have been discrepancies of VAT calculation which are now being tested. ICT Change Management process will receive audit review.</div>	2	6	2	<div>↑ G</div>
<div>Creditors</div> <div>Risk / ANA: ANA – high</div> <div>Spar -</div>	<div>Good Standard</div> <div>Status: Final</div>	<div>Overall, the controls in place which ensure that the correct supplier is paid the correct amount within payment terms operate to a good standard.</div> <div>Approval and validation controls in relation to pro-forma invoices will be improved through implementation of a new form developed by ICT; before this can go 'live' the budget holder codes and limits need to be reviewed to ensure they are still appropriate.</div> <div>Performance for the percentage of invoices paid within terms is slightly below target but is being monitored.</div>	0	5	4	<div>↑ G</div>

Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
Main Accounting System Risk / ANA: ANA – medium Spar –	Good Standard Status: Final	<p>The Finance Team has changed over the last 12 months with two new staff and a change of roles for others. We consider the control framework and separation of duties to be satisfactory and the recent appointment of the systems admin accountant is improving the control environment. There is a good process for monitoring budgets and variances and no material errors or concerns were found.</p> <p>We feel there is opportunity to improve the authorisation control of journals and virements and monitoring of user accounts access levels.</p>	1	4	1
Payroll Risk / ANA: ANA – high Spar – 4x1=4 Low / green	Good Standard Status: in progress	<p>The audit of the payroll process has been completed and review points are being cleared with officers. No material issues have been found.</p>	-	-	-
Risk Based Reviews					
IC&P Cyber Security Risk / ANA: ANA – High Spar: not identified	Good Standard Status: Draft	<p>Our review considered the Authority's controls against the Governments recommended Cyber Essentials programme and found that much good practice is in place to reduce the risk of serious incident and to be able to recover from an event. Technical controls are generally in place to maintain resilience though there are improvement needs in some areas. The Council tested the back-up recovery arrangements in January 2019 & have developed an action plan for improvements.</p> <p>The Authority has completed the LGA Cyber security self-assessment and identified several areas where improvement is required. Of particular note is the governance arrangements for cyber security and other areas that cross relate to improvements identified through our audit.</p> <p>No computer network connected to the internet can ever be completely secure and mitigation measures can never fully prevent incidents from occurring, they can only manage and will only ever be as good as the people using them.</p>	7	7	0
Grounds Maintenance Risk / ANA: ANA – Med Spar: - Health and Safety related not specific to service delivery	High Standard Status: Final	<p>The Grounds Maintenance service has moved to a full cost recovery rate (FCR) for grass cutting service. Our review found that the calculations, methodology and assumptions used to calculate the rate were accurate and reasonable. The use of the FCR should reduce the risk of loss of income if external clients decide not to renew their agreements, as this can be offset by reduced costs of agency staff.</p> <p>Although there are a small number of administrative tasks that could be improved</p>	0	3	2

Risk Area / Audit Entity	Audit Report				
	Assurance opinion	Executive Summary / Residual Risk	Summary of Recommendations High / Med / Low		
		<p>relating to the performance management process, overall the controls in place operate to a good standard.</p> <p>The risk relating to loss of key staff is mitigated as job descriptions are generic and there are no specialisms. The use of agency staff also allows for adequate cover.</p> <p>The procedures for sponsorship of roundabouts have recently been reviewed by the Environment and Enforcement Manager, which should improve the administration of this process. There is an opportunity to increase advertising income.</p>			
Partnerships - Building Control Risk / ANA: ANA – High Spar – 4x2=8 ow / Orange Page 77	Good Standard Status: Final	<p>The governance arrangements for the partnership are substantially sound and effective with some enhancements recommended: to better use risk management to effectively manage the organisation; to strengthen and develop the committee so that it is more strategic in approach; to recognise the reliance on the Building Control Manager at present for leadership and direction; and to streamline and focus the officer leadership arrangements with regular, scheduled joint management meetings with both partners. There is also an opportunity now to move to a more consultative management style to enable staff to help with developing future strategy and to identify improvements in efficiency and enhance the effectiveness of the team through maximising use of the IT system.</p> <p>Improvements should also be made in recording risks and performance on MDDC's SPAR.net system for Building Control and for partnerships.</p>	2	9	0



The following audits have been completed:

- draft reports are being prepared – 3 Rivers Development Ltd and S106 Management, Main Accounting and Payroll.

The following audits are in progress Risk Management, Ethics and Culture, Housing Rents and Treasury Management.

No material concerns have been identified with these reviews. Opinions will be provided in the May progress and Annual Audit report.

The remaining plan work is scheduled for completion by the year end and incorporated into the annual report.

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	
Creditors	2017	1			1		1	1			3	0	1	↑G
Creditors	2018				1		3	1		3	2	6	0	↑G
Housing Benefits	2018						2			1	0	3	0	↑G
Income & Cash Collection	2017				1		2	2			3	0	2	↗A
Main Accounting System	2017				3		1	1			4	1	0	↑G
Payroll	2017	2		1	5		2				7	3	0	↗A
Ctax and NNDR	2018	1			1		2	2		1	4	3	0	↑G
VAT - Partial Exemption	2018			1			1	2		1	2	1	3	↗A
Appraisals & Training	2015	1			13		1	2			16	0	1	↗A
Care Services - Alarm Call	2017	2		1	3						5	1	1	↗R
Car Park	2018	1			1			4		1	6	0	1	↑G
Secure CVSC	2018						1	5			0	1	5	↗A
Development Management S106	2017			2			3				0	0	5	↗R
Electronic Payments/ Online Forms	2017	1			2						3	0	0	↑G
Emergency Planning	2015				3		1	1			4	0	1	↑G
Equality Impact Assessment	2018			1	2		1			1	2	2	1	↗A
Housing H&S Management	2017	2			8		1				10	0	1	↗A
ICT Inventory	2017	2			3		1				5	0	1	↗A
Insurance	2017	1			3			1			4	1	0	↑G
Legal Services	2015				2		2				2	0	2	↗A
Procurement	2018			1	1		3	2			1	4	2	↑G
Recruitment, Selection & Succession Planning	2018	1			1		1				2	0	1	↑G
Refuse and recycling	2018			1	2		1				2	1	1	↗A
Safeguarding	2017	1			3		1				4	0	1	↑G
Sickness & Other Time Off	2016				7		1				7	1	0	↗A
Standby	2016				2		1				2	0	1	↗A
Vehicles & Fuel	2015	5			6		1				11	1	0	↑G
		21	5	5	74	18	23	16	6	3	111	29	31	

Comments

System accountant recently appointed and will progress with the invoice scanning project asap

These outstanding recommendations have reduced significance with the reduction in cash handling. BCP's for all services are being reviewed. Budget reconciliation control to be put in March for 2019/20
Dates deferred to March 2019.

Review process has been added to the VAT calculation, further elements will be built into the wider VAT monitoring process in April 2019
Setting of performance indicators
Data sharing agreement - still to be signed.

Progress being monitored by LT. S106 Governance arrangements to be approved by Cabinet. Reconsidering systems design.

Business Continuity Plan - documents available and training provided
Incorporated some actions into Customer Engagement Strategy.
Attending DCC equality forum 6th Nov. Target extended to 31March2019.
Performance indicator are in the process of being set up and scored
Create a policy for returning equipment

Date extended, digital archiving system required

Draft agreement currently being reviewed, target put back to 31/3/19

Risk register - front line services

Policy update deferred to June 19.

Will be taken into account during a review of the whole Standby service, due by the end of 2018.

Transport policy (fleet management)

CORE
SYSTEM

C = Completed

65%

Not progressing

N= Not yet due

17%

Progressing some

O= Overdue

18%

overdue

On Target

* report just issued

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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.

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AUDIT COMMITTEE
19TH MARCH 2019

AGENDA ITEM:

INTERNAL AUDIT CHARTER & STRATEGY 2019-20

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 an 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. ***No material changes have been made to the Charter or Strategy for the coming year.***
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

MID DEVON DISTRICT COUNCIL

INTERNAL AUDIT CHARTER (March 2019)

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 Deputy Chief Executive 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 Deputy Chief Executive '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 Deputy Chief Executive '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 2019

MID DEVON DISTRICT COUNCIL

INTERNAL AUDIT STRATEGY (March 2019)

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 Director of Finance 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 (HoDAP).

The PSIAS require the HoDAP 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 HoDAP 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 HoDAP 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 HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

The HoDAP 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 HoDAP 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 HoDAP 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).

Appendix 2

Internal Audit Performance Monitoring Targets.

Performance Indicator	Full year target
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.

Task	Performance measure
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 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) 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.31 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, Contracts Audit and Counter Fraud Investigators 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 February 2019) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 10 x AAT qualified
- 5 x ACFS (accredited counter fraud specialists)
- 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 2019

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Internal Audit

Internal Audit Plan 2019-20

Mid Devon District Council
Audit Committee

Page 97

March 2019

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 11.

Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which 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.

This Council's Internal Audit 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) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. 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.

The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Director of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage in 2019/20.

In review of the above the Audit Committee are required to approve the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

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Audit Plan	4
Appendices	
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Service level plans

This years audit plan has been built using the former 4 year cyclic plan as a base for discussions with management and the Leadership Team and considering the Council's risk register and plans. The plan has been restructured in terms of resource allocation to take in a wider risk based remit including the following considerations:

- 'core work' will need to include work on what are termed "key financial systems" systems that process the majority of income and expenditure for the Council, and which have a significant impact on the reliability and accuracy of the annual accounts e.g. Payroll, Creditors, Main Accounting System, Housing Benefit etc.
- We significantly streamlined this core work last year to facilitate review of other risks. This has proved effective in practice where reviews in previous years have confirmed that, generally, sound arrangements are in place for these systems – this balance will continue to be monitored.
- We have identified key risks with Directors, risks that currently affect core assurance service delivery with a key focus on:
 - safeguarding – corporate responsibility
 - key developments
 - investment
 - development
 - digitisation
 - commercialisation
 - information governance – data protection changes
 - cyber security – cyber 10 Steps - governance
 - transactional integrity

High Level Audit Plan

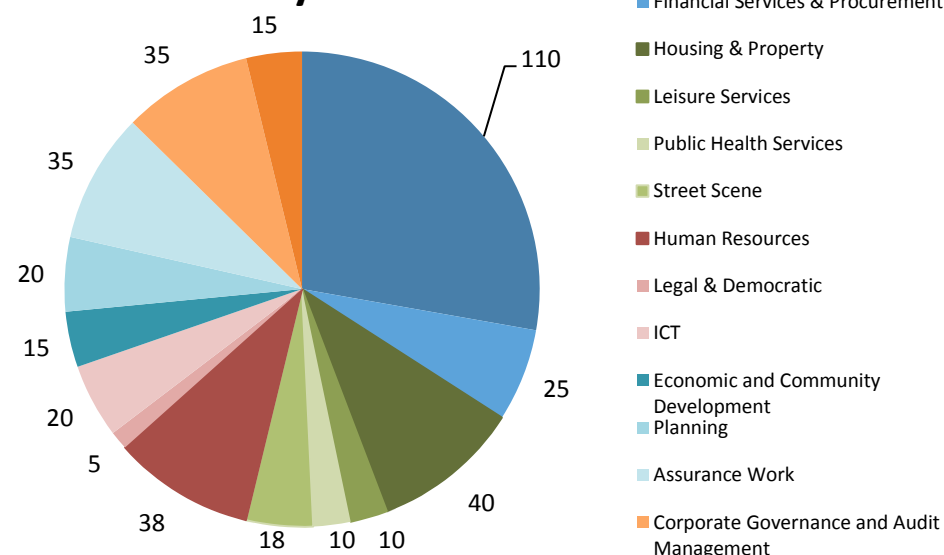
This chart shows a summary of planned audit coverage for the year totalling 395 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities

of the Authority and, to this end, it will be regularly reviewed and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.

Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.

A detailed analysis of proposed audit reviews is provided in the following cyclical audit plan.

Audit Plan Days 2019-20



Challenges and Opportunities

Transformational Change	Partnering and Collaboration	Commissioning	Information Technology	Financial & operational constraint	Compliance & Regulatory
<ul style="list-style-type: none"> • delivering more with less • commercialisation • meeting customer needs • alternative service delivery vehicles 	<ul style="list-style-type: none"> • governance arrangements • Public Sector Network (PSN) • information governance • third party assurance 	<ul style="list-style-type: none"> • flexible contracting, focused on outputs not inputs • flexible payment structures to reflect reduced budgets • performance management 	<ul style="list-style-type: none"> • infrastructure resilience • information security • desktop availability • cloud computing • channel shift 	<ul style="list-style-type: none"> • reduction of control framework • loss of experienced staff • income generation 	<ul style="list-style-type: none"> • key financial systems • housing maintenance • data protection • annual governance arrangements

Fraud Prevention and Detection and Internal Audit Governance

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a recognised risk for the Council and assist in the protection of public funds and accountability. Our Counter Fraud Service is supporting the Authority's review of council tax discounts and can undertake additional services as required. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government "Fighting Fraud Locally", and the publication "Protecting the English Public Purse 2016". Internal Audit will liaise with the Council to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, new guidance recently introduced by CIPFA, in their 'Code of practice on managing the risk of fraud and corruption', and also the new Home Office 'UK Anti-Corruption Plan', will further inform the direction of counter-fraud arrangements going forwards.

Corporate Governance

An element of our work is classified as "Audit Governance" – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Leadership and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue in the coming year;
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of "re-inventing the wheel" in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council's external auditors (Grant Thornton), Audit West and Audit South West (Internal Audit for NHS).

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
CORE FINANCIAL ASSURANCE AUDITS (- Annual)							
Council Tax and NNDR - inc.NNDR Pilot Authority Assurance 2 days	2018/19	10	15	10	12	47	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up. Precept Calculation.
Recovery	2018/19	10	10	10	10	40	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up. Busines rate grant
Income and Cash Collection (inc Debtors)	2018/19	10	10	10	10	40	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up.
Main Accounting System (including Deeds Testing)	2018/19	15	10	10	10	45	System Documentation, focused risk based sample (Compliance) testing on 18/19 follow-up.
Housing Benefits	2018/19	10	10	10	15	45	System Documentation,& segregation of duties, focused risk based sample (Compliance) testing on 18/19 follow-up.
Creditors	2018/19	10	10	10	10	40	The 'Orchard System' is going 'Cloud' based - systems review.
Housing Rents (including rent arrears)	2018/19	10	10	15	10	45	System Documentation,& segregation of duties, focused risk based sample (Compliance) testing on 18/19 follow-up.
Treasury and Cashflow Management	2018/19	5	5	5	5	20	
Payroll	2018/19	15	10	10	10	45	
Car Parking Income} alternate years	2018/19		10		10	20	
Trade Waste }	2017/18	10		10		20	
ICT Core Audit	2018/19	5	5	5	5	20	
TOTAL CORE ASSURANCE AUDITS		110	105	105	107	427	
RISK BASED AUDITS (Risk Based- mainly 4-yearly)							
Human Resources							
Time Recording System	2014/15		10			10	Compliance and effectiveness review.
Sickness and Other Time Off	2016/17	15				15	
Recruitment, Selection, succession planning	2018/19				5	5	New systems design - Trusted Advisor Project Support
Appraisals and Training	2015/16	3	7			10	
Travel and Subsistence (incl Pool cars)	2017/18			10		10	Deferred from 2018-19. New on-line system to improve consistency - operational review.
Job Evaluation framework	2015/16	10				10	
Corporate Health & Safety incl Homeworking/Loneworking	2015/16		10			10	
Equality impact assessments	2018/19				10	10	
Off Payroll working - Use of Consultants (Payroll)	2017/18	Follow-up			5	5	
Safeguarding	2017/18	10	5	5	5	25	*1 Corporate Parent compliance effectiveness review (annual rolling reviews)
						0	
Human Resources Total		38	32	15	25	110	

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Financial Services & Procurement							
VAT	2018/19	Follow-up			10	10	*1 Deferred from 2018-19. Effectiveness review of asset management plan - are the correct service needs requested ? The remit is extended to consider the new Capital Strategy required for 2019-20 Fleet, Alarm Call, Others risk priorities. Reduce to 5 days as the Fleet Contract is being audited in Street Scene Commercial Rents (Fore Street, Market Walk) Flags as high risk - to be considered as a risk in the income, accounting & recovery reviews
Insurance	2017/18			10		10	
Asset management inc Leasing (Property/Vehicles/Equip	2014/15	10				10	
Procurement (2-yearly)	2018/19		15		15	30	
Contract Management - Contract Register & Contracts (2	2017/18	5		15		20	
Comercial Rents		5				5	
Funding Cuts revenue and Capital						0	
Transformation - Benefits Realisation		5	5	5	5	20	
Financial Services & Procurement Total		25	20	30	30	105	
ICT							
Telephones - Fixed and Mobile	2014/15		5			5	*2 Cyber 10 Steps' assurance model. Developing ICT programme building working on ITIL Standards CRM - Project development support - possibly Firmstep being considered - contingency as required.
Cyber Security (inc Information Security)	2018/19	10			10	20	
ICT systems (ITIL Methodology)	2018/19	10	15	15	10	50	
New Projects		Contingency				0	
Gazateer Management - Street Naming & Numbering	2014/15		5			5	
ICT Total		20	25	15	20	80	
Planning							
Building Control (incl income and all other areas)	2018/19		10			10	*1 Follow-up -new system being implemented - Testing of process in 2019-20 Performance Management of the planning and listed building areas Link to Local Plan progress Trusted Partner' review of Governance risk identification and mitigation in scheme development -'agile audit'.
Development Control (incl S106)	2018/19	5		5	10	25	
Listed Buildings and Conservation Areas	2015/16	10				10	
Forward Planning	2013/14		10			10	
Projects - eg Culm Garden Village		5	5	5	5	20	
Enforcement	2017/18			10		10	
Planning Total		20	25	20	15	85	

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Public Health Services							
Environmental Health	2017/18			15		15	*2 New licencing system being considered - data protection, integrity, retention - contingency as required. Houses in Multiple Occupation - Licencing and enforcement of Landlord obligations. Better Care Fund
Licensing Services	2016/17	Contingency	10			10	
Private Sector Housing	2016/17	10				10	
Emergency Planning (also Business Continuity Planning)	2015/16		10		10	20	
Public Health Services Total		10	20	15	10	35	
Leisure (one centre per year)							
Exe Valley Leisure Centre (incl income and all other areas)	2016/17	10		3	follow-up	13	Benefits realisation review of the extension.
Culm Valley Sports Centre (incl income and all other areas)	2018/19			3	10	13	
Lords Meadow Leisure Centre (incl income and all other areas)	2017/18		10	4		14	
Leisure Total		10	10	10	10	40	
Legal & Democratic Services							
Members Allowances	2016/17	5				5	Volunteer led independent panel
Gifts & Hospitality/Register of Interests (2 yearly)	2016/17		5			5	
Electoral Registration & Elections	2017/18			10		10	
Local Land Charges	2016/17				10	10	
Legal Services	2015/16			10		10	
Legal & Democratic Total		5	5	20	10	40	
Street Scene							
Refuse & Recycling (2 yearly)	2018/19		10		10	20	*1 Management of the new contract Trusted Partner - critical friend
Vehicles & Fuel (including inventory & maintenance)	2015/16	15				15	
Business Continuity Planning		3					
District Officers	2017/18			10		10	
Street Cleansing & Public Cleaning				5		5	
Grounds Maintenance (Parks & Open Spaces)	2018/19				10	10	
Street Scene Total		18	10	15	20	50	
Customer Services							
Customer Care/Complaints	2017/18			10		10	Put back a year (cashless review 2018/19 covered some of this risk - to be followed-up) and focus on Social Media in 2020.
Electronic payments/online forms/social media	2017/18		10	10		20	
Customer Services Total		0	10	20	0	30	

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Housing & Property Services							
Care Services (Alarm Income)	2017/18			5		5	
Repairs and Maintenance	2018/19	10			10	20	Adaptations process - does it meet legislation requirements (not previously audited).
Stores	2016/17	10				10	VFM cost effectiveness survey
Health & Safety Management Arrangements incl Estate Inspections (2-yearly)	2018/19		10		10	20	
Cemeteries & Bereavement Services	2016/17			10		10	
Voids Management Arrangements	2016/17		10			10	
Lettings	2016/17	10				10	Allocations and financial risk-assessments following service restructure
Housing Options	2018/19			10	10	20	Extend to next yr as new system comes into effect
Service Charges			10			10	Income recovery - not previously reviewed.
Standby	2016/17		5			5	
Data Protection in service / partner contracts		*				0	* This will form part of the Information Governance work
Housing Company (3 Rivers)	2018/19	5			10	15	* Governance arrangements including performance .
Housing & Property Services Total		35	35	25	40	135	
Economic & Community Development							
Grants, subscriptions & donations	2015/16		5			5	Commercialised approach
Community Engagement & Consultation		10		10		20	Deferred from last yr 2017-18 (staff change and plan yet to be agreed) - could bring forwards to 2019 in place of lower risk profiled review.
Economic Regeneration	2014/15					0	To be considered by external consultants
Partnership Working	2018/19	5			10	15	Housing Partnerships
Markets	2014/15			10		10	
Economic & Community Development Total		15	5	20	10	50	
RISK BASED AUDITS TOTAL		196	197	205	190	760	
ASSURANCE WORK							
Governance - inc Ethics and Culture	2018/19	Follow-up	10	5	10	25	*1 Follow-up
Corporate Information Management - Information Assets	2018/19		10		10	20	
Freedom of Information	2015/16	10				10	Is the process fit for purpose and complied with.

Audit Area	Year Last Audited	Days 2019/20	Days 2020/21	Days 2021/22	Days 2022/23	TOTAL	Comments
Business Continuity - Emergency Planning & Disaster recovery	2018/19	5		5	*	10	*1 Trusted Partner follow-up support of last years review
Risk Management - Spar/Data Quality	2018/19	Follow-up			8	8	*1 Effectiveness of the risk management system.
Audit Follow-up (key reviews from last year)	2018/19	15	15	15	15	60	*1 review Areas marked *1 - Ethics, Business Continuity, S106, Risk Management, 3Rivers
Assurance Work Total		30	35	25	43	133	

CORPORATE GOVERNANCE

Audit Governance		35	35	35	35	140	Reporting, Committee Attendance, audit planning, liaison with external auditor.
Fraud/Irregularity and prevention		10	10	10	10	40	Policy review
Consultancy/Advice/Contingency		15	15	15	10	55	*2 Possible Review Areas marked *2
Other Work Total		60	60	60	55	55	

Surplus / (Shortfall) in resources

-1	-2	0	0
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SUMMARY

Available Audit Days

Management

Core Systems

Risk Based Audit

Assurance Work

Corporate Governance

TOTAL

343	343	343	343
52	52	52	52
110	105	105	107
196	197	205	190
30	35	25	43
60	60	60	55
396	397	395	395

Notes *

*1 = proposed follow-up reviews

*2 = potential contingency work

Appendix 1 - Audit Framework

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

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

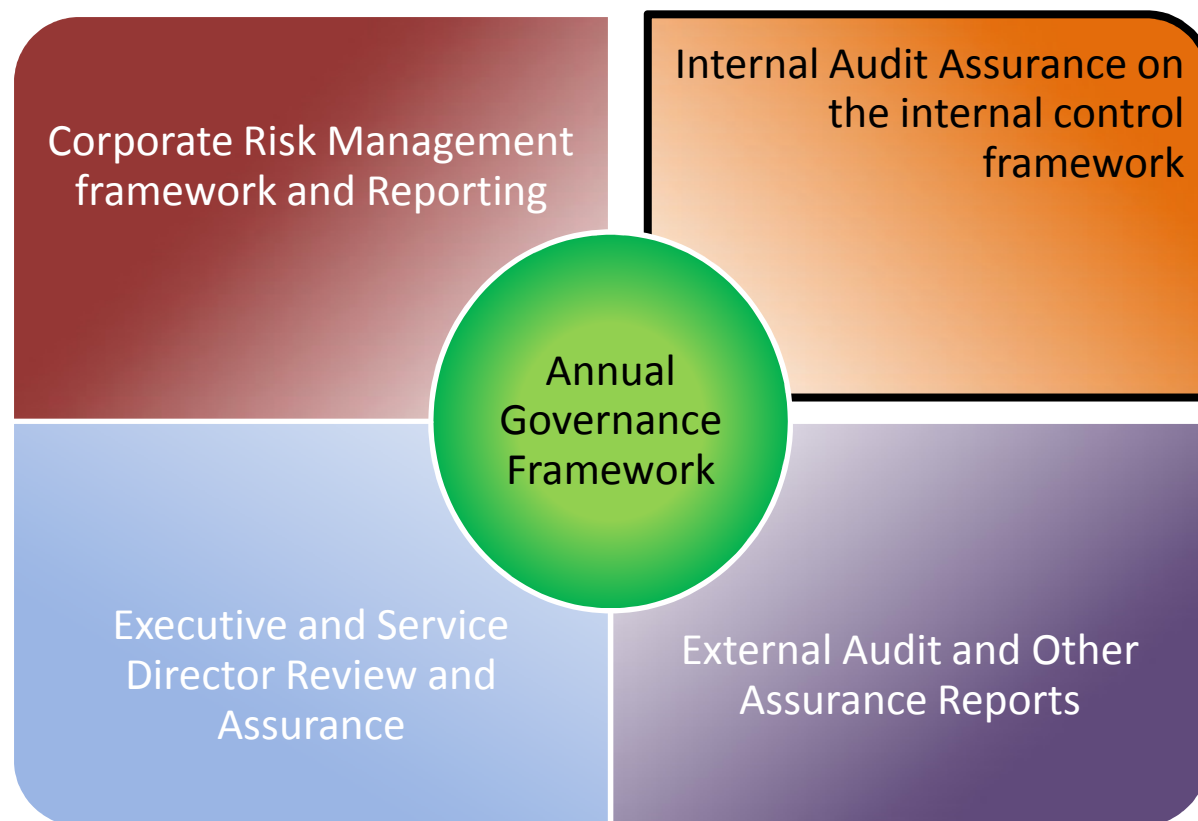
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

- The Authority's policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and the Mayor;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
 - The Authority;
 - Audit Committee;
 - Risk Management;
 - Internal Audit
 - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



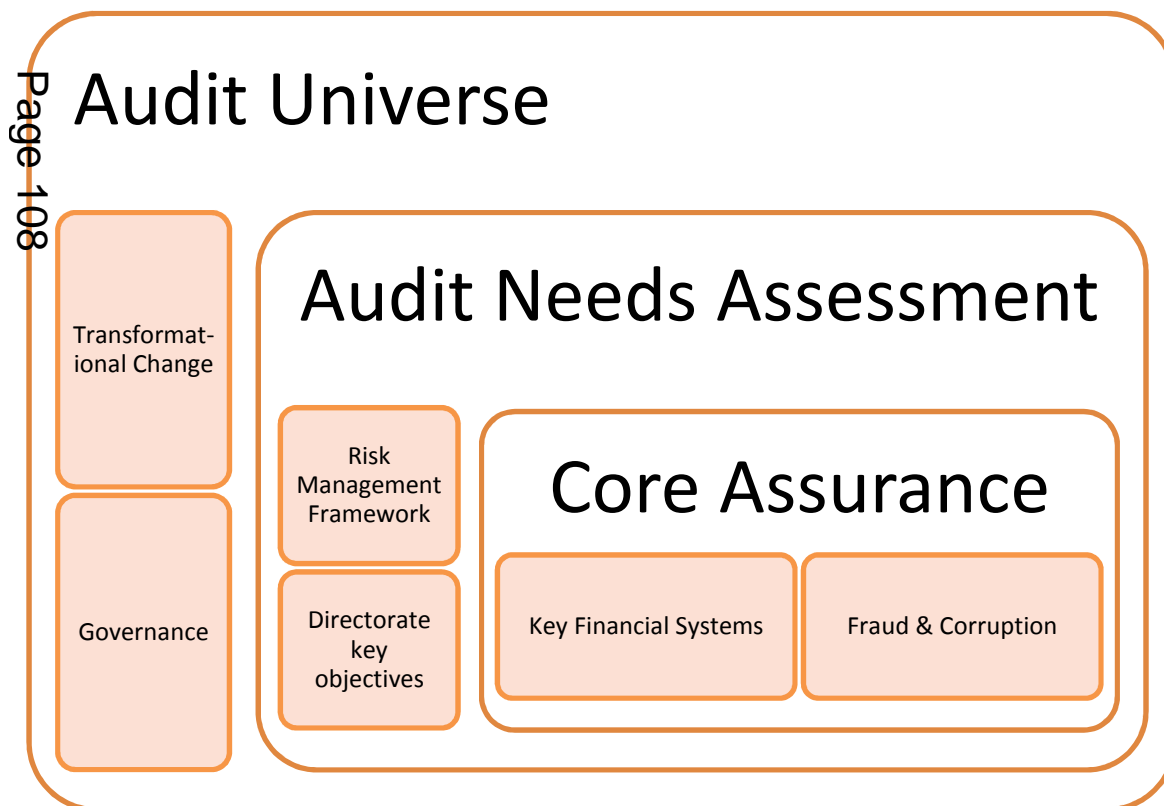
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year plan has been created by:

Consideration of risks identified in the Authority’s strategic and operational risk registers

Review and update of the audit universe

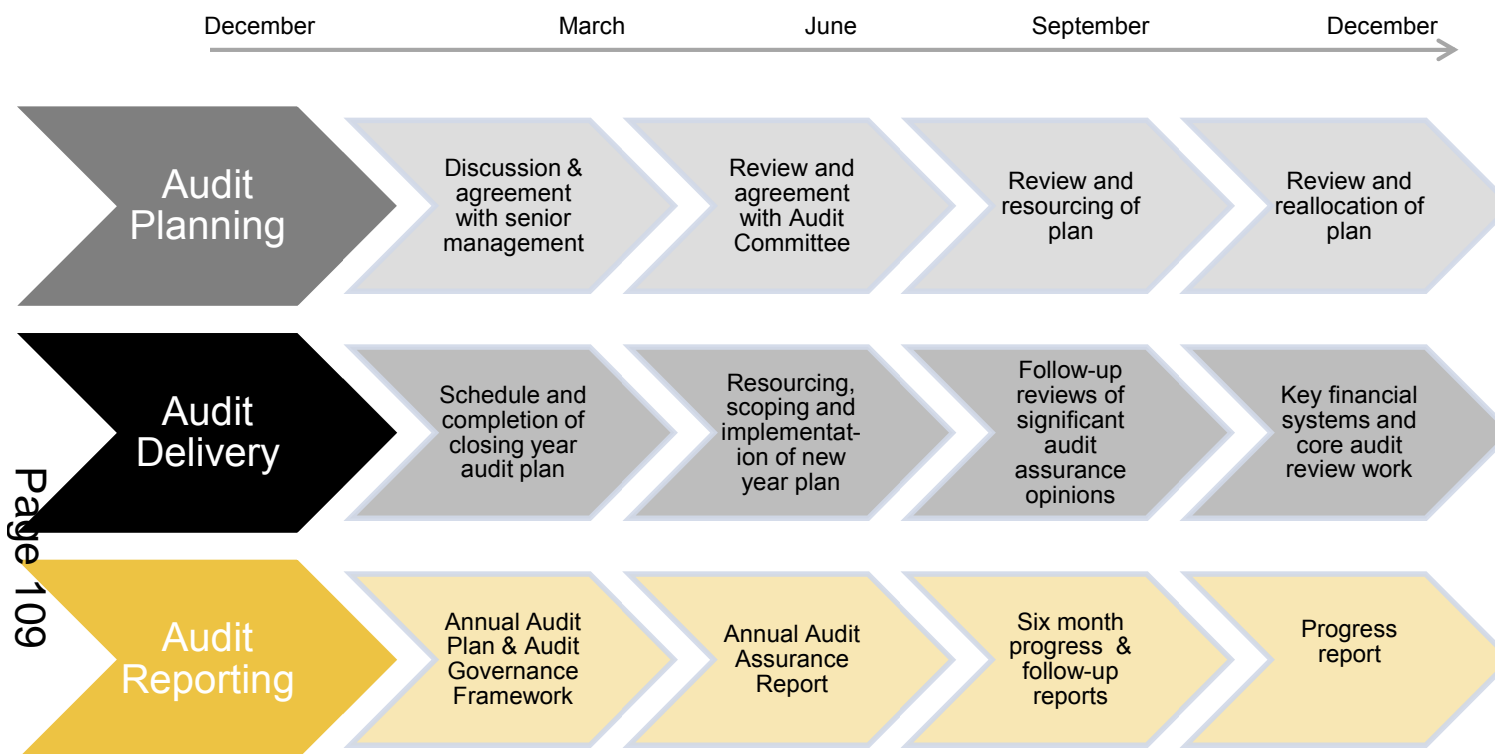
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2019	Directorate planning meetings
March 2019	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr 2019	Annual Performance reports written
May 2019	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2019	Follow-up and progress reports presented to Audit Committee
Dec 2019	Six month progress reports presented to Audit Committee
	2020 Internal Audit Plan preparation commences

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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.

Audit Progress Report and Sector Update

Including 2018/19 Interim Audit Update

Page 11

Mid Devon District Council
Year ending 31 March 2019

19 March 2019



Agenda Item 12.

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Introduction



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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 our interim audit work and results;
- a summary of emerging national issues and developments that may be relevant to you as a Council; 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).
- Mid Devon District Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, www.psaa.co.uk. Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us. We have set out commitment to deliver a high quality audit service on page 17 of this report. We hope this is helpful. It will also be a benchmark for you to provide feedback on our performance to PSAA via its survey in Autumn 2019.

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.

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 March 2019

Financial Statements Audit

We reported our audit risks in our Audit Plan in January 2019. This plan set out our proposed testing to address each of the risks identified.

Our interim audit was completed in February 2019. This included:

- Review of the Council's control environment;
- Updating our understanding of the Council's financial systems;
- Review of Internal Audit reports on core financial systems;
- Early work on emerging accounting issues;
- Early substantive testing;
- A detailed review of management's assessment of going concern; and
- A detailed review of significant accounting estimates proposed by the Council for the 2018-19 accounts.

The results of this work is set out on page 6 of this report.

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 confirms 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

Our Audit Plan presented in January 2019 set out the following two risks:

- The arrangements for delivering Financial Sustainability, and
- The governance arrangements in place to monitor the performance of the 3 Rivers Development Company.

Work is still ongoing in these areas and we will report the findings of our work in the Audit Findings Report by the deadline in July 2019.

Other areas

Certification of claims and returns

Since the January 2019 Audit Committee we have certified the Council's pooling of housing capital receipts return. This was completed by the 31 January 2019 deadline and no issues were reported.

Meetings

We will continue to meet regularly with the Deputy Chief Executive (S151) and Finance Officers. We will continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We will also meet with your Chief Executive to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Mid Devon District Council was represented at our Financial Reporting Workshop in February 2019.

These workshops are designed to ensure that members of your Finance Team are up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	Complete
Accounts Audit Plan 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 2018-19 financial statements.	January 2019	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Included on the March 2019 agenda
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statements, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out throughout the period.	December 2019	Not yet due

Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
Internal audit	<p>We have reviewed the internal audit charter and strategy for the year ended 2018/19. We have also reviewed Internal Audits work to date.</p> <p>We have written to Internal Audit regarding fraud and irregularities in accordance with the requirements of ISA 240.</p> <p>We will further review Internal Audits work on group governance when this is available. This will inform our VFM conclusion.</p>	<p>Our enquiries and our review of internal audit's work to date has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment with a focus on the areas that could affect the preparation of the financial statements including:</p> <ul style="list-style-type: none">• Risk assessment processes• Monitoring of controls, and• Information and communication.	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

	Work performed	Conclusions and recommendations
Review of information technology controls	We have performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.	No significant deficiencies noted within the general IT control environment.
Walkthrough testing	<p>We have completed a walkthrough test of the Council's controls operating in relation to journals.</p> <p>We will conduct walkthroughs of the areas where we consider that there is a risk of material misstatement to the financial statements. These areas are the valuation of the net pensions liability and property plant and equipment.</p> <p>Both of these areas are year end process and we have therefore not been able to complete this work at the interim visit.</p> <p>We have however documented the business processes in relation to these significant risk areas.</p>	No significant deficiencies noted within the control activities of the Council for significant risk areas.
Business process documentation	<p>We have obtained and documented an understanding of the Council's business processes where we have considered that the class of transaction is significant to the financial statements.</p> <p>This has therefore, been completed for:</p> <ul style="list-style-type: none"> • Cash • Collection Fund • Creditors/ Purchases • Debtors/ Fees and Charges • Grant Income • Investments • Payroll • Pensions • Provisions • Plant, Property and Equipment • Welfare Benefits 	No weaknesses were identified through obtaining an understanding of the business processes. The council has processes and procedures in place that encourage good internal control.

	Work performed	Conclusions and recommendations
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We performed walkthroughs of journal entry controls to determine their design and operating effectiveness.	Testing will be undertaken during final accounts audit. No control issues were noted.
Early substantive testing	<p>We have undertaken early substantive testing in the areas detailed below:</p> <ul style="list-style-type: none"> • Property, Plant and Equipment (Additions and Disposals) • Operating expenditure • Other revenue <p>A sample of transactions from month 1 to month 9 was tested for each transaction type which were agreed to supporting documentation.</p>	No issues were identified through our early substantive testing. All transactions sampled were agreed to appropriate and sufficient supporting documentation.

Sector Update

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 local government sector 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

Public Sector Audit Appointments – Report on the results of auditors' work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors' work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies' financial statements are unqualified, as was the case for the 2016/17 accounts.

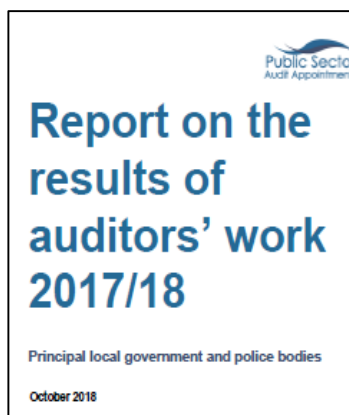
The report is available on the PSAA website:

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

PSAA Report

Challenge question:

Has your Council identified improvements to be made to the 2018/19 financial statements audit and Value for Money Conclusion?



National Audit Office – Local auditor reporting in England 2018

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the Comptroller & Auditor General (C&AG) took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors.

Given increasing financial and demand pressures on local bodies, they need strong arrangements to manage finances and secure value for money. External auditors have a key role in determining whether these arrangements are strong enough. The fact that only three of the bodies (5%) the NAO contacted in connection with this study were able to confirm that they had fully implemented their plans to address the weaknesses reported suggests that while auditors are increasingly raising red flags, some of these are met with inadequate or complacent responses.

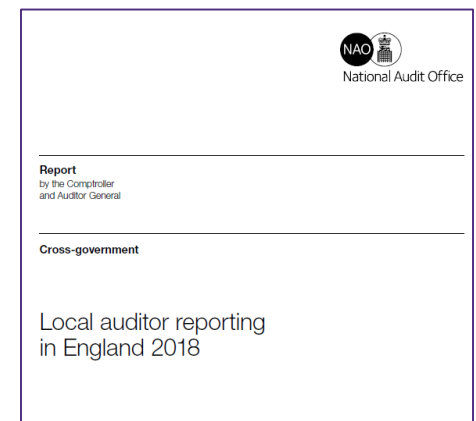
Qualified conclusions on arrangements to secure value for money locally are both unacceptably high and increasing. Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. As at 17 December 2018, auditors have yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18.

The proportion of local public bodies whose plans for keeping spending within budget are not fit-for-purpose, or who have significant weaknesses in their governance, is too high. This is a risk to public money and undermines confidence in how well local services are managed. Local bodies need to demonstrate to the wider public that they are managing their organisations effectively, and take local auditor reports seriously. Those charged with governance need to hold their executives to account for taking prompt and effective action. Local public bodies need to do more to strengthen their arrangements and improve their performance.

Local auditors need to exercise the full range of their additional reporting powers, where this is the most effective way of highlighting concerns, especially where they consider that local bodies are not taking sufficient action. Departments need to continue monitoring the level and nature of non-standard reporting, and formalise their processes where informal arrangements are in place. The current situation is serious, with trend lines pointing downwards.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>



NAO Report

Challenge question:

Has your Council responded appropriately to any concerns or issues raised in the External Auditor's report for 2017/18?



National Audit Office – Local authority governance

The report examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

Local government has faced considerable funding and demand challenges since 2010-11. This raises questions as to whether the local government governance system remains effective. As demonstrated by Northamptonshire County Council, poor governance can make the difference between coping and not coping with financial and service pressures. The Department (Ministry of Housing, Communities and Local Government) places great weight on local arrangements in relation to value for money and financial sustainability, with limited engagement expected from government. For this to be effective, the Department needs to know that the governance arrangements that support local decision-making function as intended. In order to mitigate the growing risks to value for money in the sector the Department needs to improve its system-wide oversight, be more transparent in its engagement with the sector, and adopt a stronger leadership role across the governance network

Not only are the risks from poor governance greater in the current context as the stakes are higher, but the process of governance itself is more challenging and complex. Governance arrangements have to be effective in a riskier, more time-pressured and less well-resourced context. For instance, authorities need to:

- maintain tight budgetary control and scrutiny to ensure overall financial sustainability at a time when potentially contentious savings decisions have to be taken and resources for corporate support are more limited; and
- ensure that they have robust risk management arrangements in place when making commercial investments to generate new income, and that oversight and accountability is clear when entering into shared service or outsourced arrangements in order to deliver savings.

Risk profiles have increased in many local authorities as they have reduced spending and sought to generate new income in response to funding and demand pressures. Local authorities have seen a real-terms reduction in spending power (government grant and council tax) of 28.6% between 2010-11 and 2017-18. Demand in key service areas has also increased, including a 15.1% increase in the number of looked after children from 2010-11 to 2017-18. These pressures create risks to authorities' core objectives of remaining financially sustainable and meeting statutory service obligations. Furthermore, to mitigate these fundamental risks, many authorities have pursued strategies such as large-scale transformations or commercial investments that in themselves carry a risk of failure or under-performance.

The report is available on the NAO website:

<https://www.nao.org.uk/report/local-authority-governance-2/>

NAO Report

Challenge question:

Has your Council got appropriate governance and risk management arrangements in place to address the risks and challenges identified in the NAO report?



CIPFA – Financial Resilience Index plans revised

The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

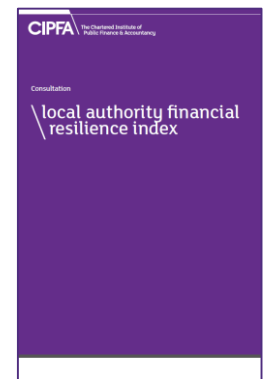
“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.

CIPFA Consultation

Challenge question:

Has your Head of Finance briefed members on the Council’s response to the Financial Resilience Index consultation?



ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

What's the problem?

- **Short-term solvency vs. Longer-term value:**
 - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

Future financial viability of local public bodies

Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

More information can be found in the link below (click on the cover page)



The expectations gap

Challenge question:

How effectively is the audit meeting client expectations?



Financial Foresight: Our sustainable solution for cash-strapped councils

Grant Thornton's new Financial Foresight platform helps provide local councils with financial sustainability.

Launched in early January, Financial Foresight is a unique platform that can help us provide financial sustainability to under-pressure local councils, using a combination of data, statistics and our expertise.

Page 125 In December 2018, the Chartered Institute of Public Finance and Accountancy (CIPFA) estimated that 15% of councils are showing signs of financial distress. If the rate at which these councils are dipping into their financial reserves continues, the National Audit Office estimates that 10% of councils will have depleted their reserves by 2021. The latest figures from our Insights and Analytics team suggest this could be closer to 20%.

Alarm bells started to chime at Somerset, Surrey, Lancashire and Birmingham councils last year. Yet it was the catastrophic near-collapse of Northamptonshire County Council - after it chose for five years not to raise council tax to cover its spiralling costs - that shone the spotlight on this widespread problem.

Unless local councils can get to grips with the situation, we'll all feel the effects of deeper cutbacks in public spending.

What's causing the problem?

After eight years of government austerity which followed the financial crash of 2008, many councils are now digging deep into their financial reserves in order to provide public services to their communities – from social care to fixing potholes in the road.

Pressure on funding is further impacted by rapidly rising costs – especially for demand-led services as populations grow and age. Within just a few years, many councils will not have any reserves left to fall back on, and some have already said they will be unable to provide any non-statutory services at this time. Overlay Brexit onto this situation, along with the anticipated financial pressures this will bring, and the outlook for local authorities is extremely challenging.

How can we help?

The investments we have made in analytics coupled with the commercial success of our CFO Insights tool has enabled us to develop credible financial forecasts for every local authority in the country. From this platform we developed Financial Foresight; a unique, forward-looking financial analytics and forecasting platform designed to support financial sustainability in local government.

Financial Foresight takes account of factors such as population growth, development forecasts and demand drivers to project local authority spend, income and operating costs. It provides a baseline view on the financial sustainability of every local authority in England and allows leaders in each authority to benchmark their own outlook against others. This will help councils move on from resilience – or just getting by – to financial sustainability.

Head of Local Government Paul Dossett said: "Through Financial Foresight and our associated strategy workshops, we can support local authorities to test and appraise a range of financial strategies and levers to develop a plan for a sustainable future. The critical importance of authorities understanding their financial resilience is only going to increase, so we're proud to be leading the market with this offering."

For more information, follow the links below:

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

Your organisation – including considerations on workforce, funding, and changes to legislation

Your services and suppliers – ensuring that critical services are protected and building resilience within supply chains

Your place – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Brexit

Challenge question:

How well advanced are your Council's plans for Brexit?



Our external audit commitment

Our commitment to our local government clients

- Senior level investment
- Local presence enhancing our responsiveness, agility and flexibility.
- High quality audit delivery
- Collaborative working across the public sector
- Wider connections across the public sector economy, including with health and other local government bodies
- Investment in Health and Wellbeing, Social Value and the Vibrant Economy
- Sharing of best practice and our thought leadership.
- Invitations to training events locally and regionally – bespoke training for emerging issues
- Further investment in data analytics and informatics to keep our knowledge of the areas up to date and to assist in designing a fully tailored audit approach

"I have found Grant Thornton to be very impressive.....they bring a real understanding of the area. Their insights and support are excellent. They are responsive, pragmatic and, through their relationship and the quality of their work, support us in moving forward through increasingly challenging times. I wouldn't hesitate to work with them."

Director of Finance, County Council

Local Government audits 2018/19 and beyond Grant Thornton's External Audit commitment

Our relationship with our clients— why are we best placed?

- We work closely with our clients to ensure that we understand their financial challenges, performance and future strategy.
- We deliver robust, pragmatic and timely financial statements and Value for Money audits
- We have an open, two way dialogue with clients that support improvements in arrangements and the audit process
- Feedback meetings tell us that our clients are pleased with the service we deliver. We are not complacent and will continue to improve further
- Our locally based, experienced teams have a commitment to both our clients and the wider public sector
- We are a Firm that specialises in Local Government, Health and Social Care, and Cross Sector working, with over 25 Key Audit Partners, the most public sector specialist Engagement Leads of any firm
- We have strong relationships with CIPFA, SOLACE, the Society of Treasurers, the Association of Directors of Adult Social Care and others.
- We propose a realistic fee, based on known local circumstances and requirements.

New opportunities and challenges for your community

The Local Government economy

Local authorities face unprecedented challenges including:

- Financial Sustainability – addressing funding gaps and balancing needs against resources
- Service Sustainability –funding gaps and pressure on services
- Transformation – new models of delivery, greater emphasis on partnerships, more focus on economic development
- Technology – cyber security and risk management

At a wider level, the political environment remains complex:

- The government continues its negotiation with the EU over Brexit, and future arrangements remain uncertain.
- 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 keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.

Delivering real value through:

- Early advice on technical accounting issues, providing certainty of accounting treatments, future financial planning implications and resulting in draft statements that are 'right first time'
- Knowledge and expertise in all matters local government, including local objections and challenge, where we have an unrivalled depth of expertise.
- Early engagement on issues, especially on ADMs, restructuring, partnership working, inter authority agreements, governance and financial reporting
- Implementation of our recommendations have resulted in demonstrable improvements in your underlying arrangements, for example financial management, reporting and governance.
- Robust but pragmatic challenge – seeking early liaison on issues, and having the difficult conversations early to ensure a 'no surprises' approach – always doing the right thing
- Providing regional training and networking opportunities for your teams on technical accounting issues and developments and changes to Annual Reporting requirements
- An efficient audit approach, providing tangible benefits, such as releasing finance staff earlier and prompt resolution of issues.

Grant Thornton in Local Government

Our client base and delivery

- We are the largest supplier of external audit services to local government
- We audit over 150 local government clients
- We signed 95% of our local government opinions in 2017/18 by 31 July
- In our latest independent client service review, we consistently score 9/10 or above. Clients value our strong interaction, our local knowledge and wealth of expertise.

Our connections

- We are well connected to MHCLG, the NAO and key local government networks
- We work with CIPFA, Think Tanks and legal firms to develop workshops and good practice
- We have a strong presence across all parts of local government including blue light services
- We provide thought leadership, seminars and training to support our clients and to provide solutions

Our people

- We have over 25 engagement leads accredited by ICAEW, and over 250 public sector specialists
- We provide technical and personal development training
- We employ over 80 Public Sector trainee accountants

Our quality

- Our audit approach complies with the NAO's Code of Audit Practice, and International Standards on Auditing
- We are fully compliant with ethical standards
- Your audit team has passed all quality inspections including QAD and AQRT

Our technical support

- We have specialist leads for Public Sector Audit quality and technical
- We provide national technical guidance on emerging auditing, financial reporting and ethical areas
- Specialist audit software is used to deliver maximum efficiencies



Grant Thornton

An instinct for growth™

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Annual Report from the Chairman of the Audit Committee 2018 – 2019

As your chair of Audit it gives me great pleasure in presenting an outline of the work and discussions that your Audit committee undertook over the past Twelve months.

As with previous reports this is not a fully detailed report of Committee work, but an overview, should you dear reader wish to understand the full detail all Committee minutes are available for your information on the web pages.

May 2018

Positions of responsibility comes with two prerequisites, an agreement and determination to undertake them to the best of your ability and a humility that you have been asked by your peers is a privilege.

Therefor to have been voted as your Audit Chair was again a privilege and I thank the Committee for their support.

Cllr Collis was voted as the vice chair.

Members are aware internal audit provision is undertaken by the Devon Audit Partnership, (D.A.P) Committee were required to agree the two representatives for MDDC to attend the DAP meetings for the coming year, It is a general agreement amongst all partners that the chair of the attending authorities Audit committee will automatically be one and committee agreed that Cllr Bob Deed was voted as your second representative.

Committee had various reports to consider

- **The annual governance statement**

This now included the new staff charter

- **Internal Audit report**

This gave details of work undertaken and concluded that the Authority as a whole maintained significant assurance and significant effectiveness in its work

- **Outstanding audit recommendations**

Further progress was reported against outstanding actions

- **Draft report and accounts**

No issues reported to prevent final report to be ready for the required deadline

- **External audit reports (Grant Thornton)**

Report indicated the authority was seen as offering Value for money , an important measurement of any authority's performance, we were also informed that the fee for Grant Thornton, that is set by the public sector Audit Appointments Ltd was to be £36,729.00

Finally it was agreed meetings should continue to be held at 17:30 .

July 2018

This meeting was brought forward given the excellent work undertaken by all parties, Grant Thornton, D.A.P. along with our own staff in all departments and financial officers in ensuring all documents were finalised.

The timing of the meeting was to once again allow MDDC to be one of the first Authority's in the UK to submit their accounts, a feat that should be celebrated by all members and staff alike.

The meeting started with the formal introduction of Mr David Curnow, David is the deputy head of DAP and the lead auditor for our internal audit partners working within MDDC.

- **The annual governance statement**

The annual governance statement is a required document under statutory guidance, the report was approved by committee and it was recommended that the chief executive and leader if the council could sign the document as required.

- **Annual report and accounts for 2016/17**

The committee had the final version of the annual accounts as presented by the director of finance assets and resources (section 151 officer) Mr Andrew Jarrett .

This report must be considered in tandem with the external auditors report from Grant Thornton.

After final deliberation the report was approved by committee.

- **Grant Thornton audit findings 2016/17**

The report was presented by the associate director of Grant Thornton Mrs Geraldine Daley who concluded that there final work had found no required adjustments and no challenges had been received.

The meeting was concluded by myself as chair stating I would be writing to all members of the finance team, individually thanking them for their continued hard work, enabling the council to submit their accounts on time and with a clean bill of health.

September 2018

The meeting opened with chairman's announcements, these inclined reminding members that committee had requested officers to prepare an all member briefing on 3 Rivers, this had been arranged for October 4th.

Committee were reminded that having raised concerns around development control performance, the chair was meeting with the leader, the portfolio holder, the chief executive and the head of planning the following day and would report back as required.

- **Performance and risk**

Committee noted the report

- **Annual governance statement**

Committee noted the report

- **Internal audit progress report**

Committee noted the report

- **Effectiveness of the audit committee**

Committee received a report from the Deputy Head of the Devon Audit Partnership considering the Chartered Institute of Public Finance and Accountancy (CIPFA) self-assessment checklist for Audit Committees.

This was designed for Members to acknowledge their performance in their role as the Audit Committee against the CIPFA checklist and to decide in which areas they have evidence of their effectiveness and which areas they would suggest could be developed further.

It was agreed that the committee would undertake the review

November 2018

Meeting opened Chairman's announcements , these included information that Cllr Deed and The chair had attended training events provided by Grant Thornton in October and both had also attended the DAP meeting held at Devon County Offices in November .

- **The committee received update reports performance and risk and the annual governance statement .**

Both were noted

- **Minor changes were considered to the anti fraud and corruption , the anti money laundering and the data quality policies.**

All were noted and agreed.

- **Internal audit progress report**

Overall, based on work performed during 2018/19 and experience from the current year progress and previous years' audit, the Head of Internal Audit's opinion was of 'Significant Assurance' on the adequacy and effectiveness of the Authority's internal control framework.

- **External audit progress report and sector update from Grant Thornton.**

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

January 2019

To start, the Chairman stated that because of the need to rotate external auditors on a regular basis he had been due to meet with Geraldine Daly from Grant Thornton for the last time prior to the meeting to discuss the handover with her replacement Associate Director. However, due to illness Ms Daly had been unable to make the meeting. Ms Masci had been in attendance however and the Chairman stated that she would introduce herself formally to the Committee when the Grant Thornton items were reached on the agenda.

It is hoped that Geraldine will be attending the March meeting in order that the committee can give their thanks for Geraldine's work and assistance over the past 5 years, for many of the current committee Geraldine had been a permanent attendee.

- **Review of officer responsiveness to Members in Planning**

Members are reminded that within the September meeting 2018 the chair was due to meet with the Chief Executive, the leader, portfolio holder and head of planning to discuss committees concerns.

It was agreed at that meeting that the chief executive would attend this meeting to give his update.

Following the chief executives update a general discussion took place concluding that performance was seen to have improved over the past weeks.

- **Performance and risk**

As part of the report discussion took place against the MDDC recycling results compared with the UK national average figure.

It was explained that the recycling rate for the whole of England for 2017-18 was 44.8% (2016-17 45.1%). The Council's rates were 51.9% for 2017-18 (2016-17 53.3%) so exhibiting the same pattern (i.e. 2017-18 being lower than 2016-17) but with much better results.

- **Annual governance statement**

The committee noted the report and updates

- **Financial regulations review including amended 2018 financial regulations V2**

Various discussions took place regarding the amendments to the above and the importance that MDDC policies and working practices reflected the updates, it may interest members that there was also detailed discussion on the following ...

The significance of IR35 tax legislation to the Council and its operations.

When it came to the disposal of land, Ward Members were not always informed. However, the Chief Executive confirmed that disposal of land over 0.25 of a hectare was reported through CSAG (which had Member representation on it) and also the Cabinet. Officers needed to be reminded that anything under this amount needed to be reported to individual Ward Members.

- **Internal Audit progress report**

The Internal Audit Manager's opinion continued to be that there was 'Significance Assurance' on the adequacy and effectiveness of the Authority's internal control framework.

Core Audits were on track to be completed by the year end. There were no major concerns on controls although system user access controls were still not fully reviewed on staff changes.

Performance monitoring had received increased focus from Leadership Team.

- **Assurance mapping**

Committee discussed the concept and felt that it could get over complicated when they were essentially satisfied that adequate risks and mitigation measures were already in place. However, it was felt that this was something that needed further consideration by officers and the new Audit Committee following the election in May

- **Devon Audit Partnership review**

This item was requested by the chair, it was felt that after such a major change in provision that a brief review should be undertaken to ensure the change had been as expected, thus would be normal practice in all outside business reviews.

It was felt that the service was efficient and provided opportunity to feedback on areas which could be improved. Reports were timely, understandable and constructive. This could be seen as a 'dry' area, however, reports were delivered by the Deputy Head of the Devon Audit Partnership with enthusiasm and commitment. Mid Devon audit staff had had an opportunity to gain additional skills and the transition had gone well.

- **External audit plan , Grant Thornton**

Julie Masci introduced herself as the new Grant Thornton Engagement Lead for Mid Devon. She provided a brief summary of her professional background, relevant experience and the need for a rotation of staff within the professional framework.

She explained that Grant Thornton had a responsibility to express an opinion on the Council and group's financial statements as well as the Value for Money arrangements. The precise details of the level of audit work needed in relation to the 3 Rivers Development Company were not known at the moment but it was expected to be a high level review.

The report was noted.

- **External audit progress report and sector update**

The report was noted.

Conclusion.....

As ever I am grateful to all Committee members for their time and input, we must also give great credit to our internal and external Auditors for their tremendous work that allow reports to be received in a format that can be easily understood by non-qualified individuals, not an easy task.

Audit is a very particular committee and I guess a bit like marmite, however without the checks, challenges and observations from all concerned the Authority could not and would not run as it does.

Finally my personal and very warm thanks to our committee clerk, Sarah, without her guidance, reminders, and general keeping me in check the above would simply not happen.

Bob Evans
MDDC
Lower Culm
Chair of Audit

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