

# Agenda for Audit and Governance Committee

## Thursday, 25 September 2014; 2.30pm

[Members of the Committee](#)

**Venue:** Council Chamber, Knowle, Sidmouth, EX10 8HL

[View directions](#)

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- 1 [Public speaking](#)
- 2 Minutes for 26 June 2014 (page 3-12)
- 3 Apologies
- 4 [Declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

### Part A Matters for Decision

- 7 **Statement of Accounts** (pages xxxx)
  - a) Financial Statement (plus Statement of Accounts booklet provided as a separate attachment) (pages 13-15)
  - b) Annual Governance Statement (pages 16-22)
  - c) Letter of Representation (pages 23-25)  
Items a) b) c) to be presented by the Head of Finance
  - d) Report to those charged with Governance – (pages xxx) – to be presented by External Auditors, Grant Thornton
  - e) Certification work plan for EDDC – (pagesxxx) – Grant Thornton
- 8 **Internal Audit Plan – Half Yearly update 2014/15 - SWAP** (pagesxxx)  
Appendix A – report of internal audit activity Q1 and Q2 2014/15  
Appendix B – EDDC audit plan progress 2014/15 with status and opinion for each audit  
Appendix C – Audit option definitions
- 9 **High Risk Review 2014/15 – bi-annual report – Management Information Officer(xxx) Plus Appendix – SPAR details**
- 10 **Risk Policy Review - Management Information Officer(pages 4xxx)**  
Appendix – risk policy.
- 11 **Enhancement and planning policy monitoring systems (5-year land supply - Planning Policy Officer (pagexxx)**

- 12 **ICT implementation (STRATA)** – the Corporate ICT Manager to report on the joint (East Devon/Teignbridge/Exeter) executive and joint scrutiny arrangements.
- 13 **Audit and Governance Forward Plan** – Head of Finance (Page x)

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[Decision making and equalities](#)

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## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of a Meeting of the Audit and Governance Committee held at Knowle, Sidmouth, on Thursday 26 June 2014**

- Present:** Councillors:  
Ken Potter (Chairman)  
Peter Bowden (Vice Chairman)  
Roger Boote  
Bob Buxton  
Tony Howard
- Also present:** Councillors:  
David Cox – Portfolio Holder for Finance  
Alan Dent
- Officers:** Jo Avery, Management Information Officer  
Simon Davey, Head of Finance  
Richard Cohen, Deputy Chief Executive  
Graeme Thompson, Planning Officer  
Chris Lane, Democratic Services Officer
- Internal Auditors:** Andrew Ellins, Audit Manager, South West Audit Partnership (SWAP)
- External Auditors:** Barrie Morris, Public Sector Assurance Director, Grant Thornton  
Ashley Allen, Senior Audit Manager, Grant Thornton
- Apologies** Councillors:  
Steve Gazzard  
Steve Hall  
Geoff Pook

The meeting started at 2.30 pm and ended at 5.20 pm.

**\*1 Public questions**

No questions were raised by members of the public.

**\*2 Minutes**

The minutes of the meeting of the Audit and Governance Committee held on 13 March 2014 were confirmed and signed as a true record.

**\*3 Declarations of interest**

There were no declarations of interest.

#### \*4 **Grant Thornton update**

External auditors, Grant Thornton, presented a report which provided Committee members with a report on progress in delivering their responsibilities as the Council's external auditors. Members noted that Ashley Allen had been appointed to replace David Bray as the Council's nominated external auditor.

The paper included:

- A summary of emerging national issues and developments that may be relevant to EDDC;
- A number of challenging questions in respect of these emerging issues which the Committee may wish to consider.

Barrie Morris, Grant Thornton, reported on the Council's £1m loan to a community land trust, having borrowed the money itself from the PWLB. The Council had raised the issue of how this should be accounted for in its financial statement for the year ended 31 March 2014.

Members noted that the bid from Grant Thornton to the Audit Commission to remain as the Council's External Auditors had been unsuccessful. KPMG had been successful with their bid to the Audit Commission to be External Auditor from 2015. This would mean a further 25% reduction in External Audit fees for EDDC. The last Grant Thornton audit on behalf of EDDC would be for the 2014/15 accounts and Barrie Morris reported that the last Audit & Governance Committee he would be attending would be December 2015.

Councillor Ken Potter, Chairman of the Committee wished to thank Barrie Morris from Grant Thornton for all the audit work he had undertaken on behalf of EDDC and also the Head of Finance for the excellent report now received from Audit. Simon Davey, Head of Finance confirmed that he would discuss with the Chairman of the Committee and Chief Executive the consultation letter received on the replacement of the Council's Auditors and determine if we should request to keep Grant Thornton as External Auditors for the next 2 years, the Committee expressed a general view that this would be preferred if possible,. Grant Thornton had overseen ongoing improvements in EDDC's processes and audit position.

#### 5 **Internal Audit Charter**

Members considered the report of the Audit Manager, South West Audit Partnership, concerning the Internal Audit Charter.

As a key element of its Governance arrangements the Council had a partnership arrangement with South West Audit Partnership Limited (SWAP). The new governance arrangements for SWAP Limited, together with new Public Sector Internal Audit Standards and some changes in role titles had been incorporated in to the Charter. The changes were highlighted for ease of reference.

**RECOMMENDED:** that the Internal Audit Charter revisions be approved.

## \*6 **Internal Audit Plan - Review of 2013/14**

The report of the Audit Manager, South West Audit Partnership (SWAP) provided the outturn position for the Internal Audit Plan at the end of 2013/14 and also provided Internal Audit's overall opinion on the systems of internal control at East Devon District Council (EDDC).

In total 26 audits were undertaken for EDDC in 2013/14. There were 5 reviews which were 'non-opinion', 3 follow up audits (for areas that had received partial assurance in 2012/13), 1 ICT consultancy audit and 1 ongoing consultancy in relation to office relocation. There were 2 audits in progress at the time of the report and for the completed 19 audits where a reported audit opinion was given, 4 received 'Substantive Assurance', 14 were given "Reasonable Assurance" and only 1 required a 'Partial Assurance'. The review that received Partial Assurance was Corporate Procurement Cards

In total SWAP had provided management with 87 recommendations for improvement in order to assist the effective internal control of the Council. 11 of these were high priority findings although there were no significant corporate risks identified.

**RESOLVED:** that the content of the Internal Audit Annual Report and Opinion be noted.

## 7 **Revenue and Capital Outturn Report 2013/14**

The Head of Finance presented his report on the Revenue and Capital outturn 2013/14, which had been received by Cabinet on 4 June 2014.

During 2013/14 monthly budget monitoring reports had informed Members of the budget variations and the anticipated yearend financial position. The outturn report contained the final position for the year and compared this outturn position against the budgets set. The report outlined the implications of these results on the Council's reserves.

The Head of Finance summarised the:

- General Fund position – savings against budget of £0.807m resulting in £0.449m being available to transfer into the General Fund Balance, rather than requiring £0.358m to be taken from the Balance.
- Housing Revenue Account (HRA) position – the 2013/14 budget was set to achieve a surplus of £1.696m, during the course of the year. Members agreed to £0.050m expenditure through supplementary estimates; thereby giving a revised budget surplus for the year of £1.646m to be paid into the HRA Balance. The outturn position gave an overall saving of £0.419m against the budget resulting in £2.065m being available to pay into the HRA Balance.
- Capital Budget - the revised Capital budget for 2013/14 was £21.1m net expenditure; the outturn position was significantly lower at £12.6m (£8.5m variation). The majority of this under spend was from scheme slippage with expenditure now moved into 2014/15. The Capital Reserve at the end of 2013/14 was £2.510m; the use of the Reserve in 2013/14 was £0.085m.

## 7 **Revenue and Capital Outturn Report 2013/14** (Cont)

The Committee was satisfied with the prudent measures that were being put in place and with the excellent forward planning.

A request was made that further monitoring be carried out on the projects drawing money from the Transformation Budget and any savings that had arisen as a result of this expenditure. A report would be made to the Committee at the end of the year on this issue.

The Head of Finance then summarised amendments that had been made to the reported outturn position presented to Cabinet on 4 June, detailed in Section 5 of the report to the Audit & Governance Committee - this is copied below to update Cabinet.

### 5. Amendments to General Fund Outturn Position

5.1 Since presenting the Outturn report to Cabinet on 4 June amendments had been made to the Outturn position whilst finalising the accounts, these are detailed below:

#### Amendments to General Fund

- £0.184m grant is paid to the Parish and Town Councils to mitigate the loss of council tax income through the introduction of the local Council Tax Support scheme which, had at outturn stage, been shown as a cost to the collection fund. This is in fact a cost to the General Fund and therefore is an additional cost not included in the outturn to Cabinet.
- East Devon's element of the business rate collection fund loss for 2013/14 totalled £0.684m and had been charged against the revenue account (General Fund) in 2013/14. Statutory provision requires this cost to be reversed out of the revenue account in year and held in a reserve for the deficit to be made good in the following year. This therefore reduces the Council's expenditure shown in the outturn to Cabinet.

The outturn position for Cabinet is taken at a time before many of the technical accounting entries are made to create the Statement of Accounts. Some of these technical entries had been made at the time the outturn report was required for publication and this led to a misunderstanding on the above terms and how they should be treated for outturn. These entries will be "flagged" in the finance system differently in future to reduce the risk of this error occurring again.

In setting the 2014/15 budget it was assumed we would be setting aside monies into the Business Rates Volatility Fund, however taking the deficit position of £0.684m now to be recovered in 2014/15 this will leave only £0.044m. It is therefore recommended that £0.454m (the net of the two adjustments above) is transferred at the end of 2013/14 into the Business Rates Volatility Fund to mitigate any future losses, this then leaves the General Fund balance in the position as agreed at Cabinet on 4 June 2014.

7 **Revenue and Capital Outturn Report 2013/14 (Cont)**

Amendments to Housing Revenue Account Outturn Position - continued

- The outturn position stated that no contribution would be required from the HRA to finance capital schemes for the year as housing capital receipts were sufficient to meet the full cost. The final position will however require a small sum of £0.032m to be used.
- A calculation is undertaken to reverse notional depreciation and replace it with an actual contribution to the Major Repairs Reserve, the final calculation results in a reduced sum of £0.078m being charged against the HRA than was presented at outturn.

The net effect of the above is to increase the HRA balance at year end from £5.035m as reported to now being £5.081m - this is a small difference and no change is being suggested to the recommendations made by Cabinet.

**RESOLVED:** that the following recommendations made by Cabinet on 4 June 2014 be endorsed by the Audit & Governance Committee.

- Cabinet recommendations:**
1. that the Cabinet agree the outturn position for 2013/14;
  2. to agree with the level of Reserves detailed in the report and the transfers recommended: namely
    - ◆ The Transfer of £0.397m from the General Fund into the Transformation Reserve.
    - ◆ The Transfer of £1.190m from the Housing Revenue Account into the Debt Repayment Volatility Reserve (HRA Reserve).
    - ◆ The Transfers to other earmarked reserves for specific projects where funding contributions have been made in advance of spend and monies are held at year end to fund this work in future years. The Outturn Book contains full details of these transfers in 2013/14.

**RECOMMENDED** that £0.454m is transferred to the Council's Business Rates Volatility Fund.

\*8 **Draft Annual Governance Statement**

Members considered the report of the Head of Finance on a Draft Annual Governance Statement. Members noted that the final version of this Statement would be included in the Council's Statement of Accounts for 2013/14 which would be presented for formal approval to the Committee in September. Members had requested that a draft version should be considered at an early stage by the Committee before finalising. Councillor Ken Potter, the Chairman of the Committee, had been involved in the preparation of the draft statement. The draft statement included reference to the Committee's concern during the year in the risk of the Council not having processes in place to regularly monitor a 5 year

**\*8 Draft Annual Governance Statement (Cont)**

land supply for strategic planning purposes. Members of the Committee had also requested a review of Members' governance arrangements following a Councillor's resignation and police investigation into allegations made against the former councillor concerning planning influence.

Members requested that the Head of Finance obtain a definitive answer as to whether these investigations were still ongoing or had been concluded. It was also pointed out that the Audit and Governance Committee also held Cabinet to account over financial issues and this should be added to the draft statement.

**RESOLVED:** that the Draft Annual Governance Statement for the year ended 31 March 2014 be noted.

**\*9 Office relocation assurance**

The Audit Manager, South West Audit Partnership (SWAP) provided a verbal report on assurance over the Office relocation project. He reported that he was a member and was actively involved in overseeing the Office Accommodation Working Group. Andrew Ellins, Audit Manager, SWAP, confirmed that he would give regular reports back to the Committee to give assurance on the Office Relocation project from an internal audit point of view.

The Office Accommodation Working Group met every 4 – 6 weeks and Andrew Ellins, Audit Manager sat on it as an independent observer. He gave advice in terms of best practice and in terms of audit issues. He confirmed that the Office Relocation project had an up to date Risk Register and risks in the project were well managed. The job of the Audit & Governance Committee was to ensure that there was a Risk Register in place and that the project was properly managed.

The Audit Manager, SWAP was thanked for his report and asked to make a report on the Office Relocation project at each meeting of the Committee.

**\*10 Risk Management Review**

Members considered the report of the Management Information Officer setting out risk information for the 2013/14 financial year until April 2014. Members were reminded that the Council's Risk Management Policy required all risks identified by the Council to be reviewed bi-annually. All risk owners had been asked to reassess the overall risk, update their control actions and re-score the risk. The Committee was pleased to note that the Risk Management process was becoming more embedded within the Council and that the risks in some services were being updated more regularly.

There were currently 12 strategic and 108 operational risks. The three risks which currently scored as high risk were:

- Significant loss or non collection of rental income will have a major impact on the Housing Revenue Account and our ability to deliver housing services to our tenants.



**\*10 Risk management review (cont'd)**

- Loss of Supporting People contracts would mean a significant loss of income that in part pays for the housing related support service received by our tenants.
- Potential move to an ICT shared service may disrupt the service.

All services were asked to highlight any new and emerging risks. Following this there were two new risks being put forward:

- The financial viability of the future operation of the Thelma Hulbert Gallery.
- The Council's income now relies on income from new homes bonus monies that were directly related to new house building in the district. There was a risk of lower growth than estimated or the Government changing the mechanism for payment.

Following the risk review three operational risks were archived,

- Localisation of Council Tax Benefit - This is now operational and part of our normal controls on benefits.
- New Microsoft Technologies – this has now progressed to implementation.
- A failure to effectively manage on-street and off-street Civil Parking Enforcement - the on-street enforcement role passed to Devon County Council on 1 April. There were risks associated with car parks management overlap but there was a different emphasis and this risk will now be archived.

An update on the office relocation project risk register was also given. On this project there are currently 38 Open Risks, comprising of 9 Red Risks, 20 Orange Risks and 9 Blue Risks.

**RESOLVED:** that the current status of risks until October 2014 be noted.

On behalf of the Committee the Chairman thanked the Management Information Officer.

**\*11 Proceeds of Crime (Anti-Money Laundering) policy**

Consideration was given to a report which provided details of an Anti Money Laundering Policy. Money laundering was a term used for a number of offences which made money from an illegal origin appear legal. The policy applied to all employees, including Members of the Council - its objective was to make everyone aware of their responsibilities and the consequences of non compliance. Training would be provided for staff who handled money.

**RESOLVED:**

- 1 that the Anti Money Laundering Policy be agreed.
- 2 that the Money Laundering Reporting Officer be the Head of Finance and the Deputy Financial Services Manager.

\*12 **Five Year Land Supply update report**

Members considered a report that advised Members of the current five year land supply situation, to note the ongoing local plan work and the importance of robust evidence and to highlight potential future initiatives to help understand land supply considerations and blocks to housing delivery. Key facts were that :

- housing land supply for East Devon was below the required five years in the range 3.51 years to 3.83 years worth of supply;
- once the new Local Plan had been adopted post examination, there would in fact be a 4.54 years to 4.95 years worth of supply against a requirement of five years.

The main reason for the Council's lack of a five year supply was that it did not have an up to date Plan. Officers believed that provided the Plan was kept up to date and sufficient appropriate schemes were granted permission then there should not be a reason to fall short of housing land supply requirements in the future. The Audit & Governance Committee was concerned over the risk that the lack of an adopted Local Plan caused to EDDC.

The Chairman reported that the Chief Executive had informed him that he was working with Teignbridge Borough and Exeter City Councils to help improve EDDC's processes for developing a robust Five Year Land supply. As soon as these meetings had taken place then a report would be produced to help improve EDDC's systems.

In his absence it was noted that Councillor Geoff Pook had given the view that the Development Management Committee and officers should not buckle under the Five Year Land Supply argument . Where an undesirable development was put forward, the Council should robustly oppose and reject it and let the applicant appeal. This point of view should be more clearly stated in the application's summary and recommendations. Furthermore, this should relate not only to permissions but applications for changes to conditions, specifically reduction of affordable homes on viability grounds.

During discussions the following points were noted:

- EDDC is not alone - many other local authorities do not currently have a demonstrable five year land supply;
- the five year land supply figures provided were against the requirement of 15,000 homes over the period 2006 – 2026 in the emerging Local Plan. Members were made aware that the awaited results of the new Strategic Housing Assessment (SHMA) may produce a different requirement and also that the ongoing work to bring the Local Plan in line with the Inspector's concerns means that the five year land supply figures may change significantly in the future;
- the need to plan and promote processes going forward;
- the need for more detailed monitoring of the process for those developments already given planning approval but not developed;
- promoting good sites in the district to encourage the right development in the right places;
- the Chief Executive was working closely with Teignbridge District and Exeter City Councils to develop joint approaches to housing monitoring;

\*12 **Five Year Land Supply update report** (Cont)

- there were a number of other actions and recommendations that the Committee could take, other than merely noting the supply position as per the officer recommendation;
- A lack of five year land supply did not mean that there was a free-for-all for developers – EDDC had successfully refused and had appeals dismissed on multiple sites recently showing that there was still a way to refuse inappropriate sites;
- once officers had addressed the Inspector’s concerns and the Local Plan was adopted then EDDC would have a 5 year land supply;
- the build-out rate for the Council depended heavily on the build at Cranbrook;
- issue of whether developers can meet targets and concern that they may run out of materials and labour, due to weakness in the supply chain. This raised the issue of the need for a proactive action group or committee within the Council that monitored development matters;
- the Council shouldn’t be putting all our eggs in the Cranbrook basket. Other sites need monitoring and encouraging for development as well;
- Teignbridge District Council had a good system for monitoring and had a 6 year land supply;
- Housing monitoring systems were advised to be archaic and unable to keep up with demands for more frequent or on-demand five year land supply updates. More automated systems are required for these reasons and to free up officer time to be more proactive in encouraging the right development and removing blocks stalling development;
- concerns that a new level of bureaucracy was not created;
- what was needed was a more regular and proactive knowledge of what was happening on major sites in East Devon;
- importance of telling developers what development we need and where we want it;
- the Committees concern was that EDDC’s reputation was maintained.

Until the Local Plan is in place EDDC will need to focus on encouraging appropriate development.

**RESOLVED:**

1. that the current position on the Five Year Land Supply and the importance of ongoing initiatives be noted;
2. that a more detailed, more robust and more proactive monitoring process for development be established;
3. that the Deputy Chief Executive be encouraged speak to the Chief Executive and planning colleagues to help introduce/mirror the systems adopted by Teignbridge District Council in this Council;
4. that the internal restructuring of the Senior Management Team should enable focus on how to encourage more proactive and less reactive systems.

The issues raised above would be discussed by the meeting of the Audit & Governance Committee on 25 September 2014.

**\*13 Audit and Governance Committee – Forward Plan**

The Committee noted the contents of the forward plan for 2014/15, which was updated during the meeting.

Items to be considered at the September Committee included:

- Internal Audit Activity – Quarter 1 & 2 2014/15
- Statement of Accounts
- Report to those charged with Governance
- Audit Committee update
- Office Relocation project update.
- Thelma Hulbert Gallery update
- Risk Management Review
- Five year land supply

**RESOLVED:** that the updated forward plan be noted.

Chairman ..... Date .....

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 25 September 2014  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** **7(a)**

**Subject:** Statement of Accounts 2013/14

**Purpose of report:**

The Council's Statement of Accounts for 2013/14 has now been audited and is attached for presentation to the Audit & Governance Committee for approval.

Following the audit some changes have been made to improve the presentation of the Accounts but no amendments have been affecting the Council's reported financial position.

A report is contained on the Agenda from the Council's external auditors Grant Thornton detailing the work carried out and the audit conclusions.

This report compares the final position on the Council's Accounts compared with the position presented to members in the June Outturn Report to Committee.

**Recommendation:**

**Members Approve the 2013/14 Statement of Accounts.**

**Reason for recommendation:**

There is legal requirement for the Council to approve the Council's Statement of Accounts by 30 September; the Council has delegated this function to the Audit & Governance Committee.

**Officer:**

Simon Davey Head of Finance  
sdavey@eastdevon.gov.uk

**Financial implications:**

Details are included in the report.

**Legal implications:**

The legal requirements for a statement of accounts are set out within the report otherwise there is nothing which requires comment.

**Equalities impact:**

Low Impact

**Risk:**

Low Risk

**Links to background information:**

• -

**Link to Council Plan:**

Funding this outstanding place

## Report in full

### **1. Introduction**

- 1.1 The Accounts and Audit Regulations 2011 set out the requirements for the production and publication of the Annual Statement of Accounts.
- 1.2 Within the regulations there is a requirement that a representative group of Members approve the Annual Statement of Accounts, by 30 September. The Council has delegated this responsibility to the Audit and Governance Committee.

### **2. Statement of Accounts 2013/14.**

- 2.1 The Accounts were published in draft on 27 June 2014 and presented for audit, some minor amendments have been made as a consequence of the audit but the adjustments have not altered the usable reserves or balances of the Council as presented in the draft Accounts.
- 2.2 A report is contained on the Agenda from the Council's external auditors Grant Thornton detailing the work carried out and the audit conclusions.
- 2.3 The amended audited Statement of Accounts for 2013/14 is attached for approval. The explanatory foreword on pages 2 to 15 gives a brief summary as to the layout of the Accounts and the purpose of each of the main statements; comment is also given on the key financial points to be drawn from the Accounts. The Annual Governance Statement which forms part of the Accounts is included on the Agenda for the Committee's approval.

### **3. Comparison to Revenue and Capital Outturn position previously reported**

- 3.1 The Revenue and Capital Outturn report presented to this Committee and to the Cabinet in June (where figures are prepared by mid May to meet report deadlines) detailed for members the position on the Council's finances compared with the budgets set.
- 3.2 The Outturn report focuses on key figures relating to the Council's finances and is presented at an earlier stage than the production of the Statement of Accounts. Below comparisons are made between those figures presented at Outturn with the corresponding figures now included in the Audited Statement of Accounts.

### **General Fund as at 31/3/14**

Outturn Reported	<u>£3.925m</u>
Statement of Accounts (Page 17 Movement in Reserves Statement)	<u>£3.925m</u>

### **Housing Revenue Account as at 31/3/14**

Outturn reported	<u>£3.891m</u>
Statement of Accounts (Page 17 Movement in Reserves Statement)	<u>£3.891m</u>

### **Capital Reserve as at 31 March 2014**

Outturn Reported	<u>£2.510m</u>
Statement of Accounts (Note Page 44)	<u>£2.509m</u>
Decrease in Reserve due to rounding	<u>£ 0.001m</u>

There were no amendments made on any other cash reserves held.

## **4. Appointment of new Auditor from 2015/16**

- 4.1 The Council has been notified that the Audit Commission is intending to appoint KPMG LLP to audit the accounts of East Devon District Council from 2015/16 for two years. The appointment will start on 1 April 2015.
- 4.2 The Audit Commission announced in 2013 that it would retender the audit contracts awarded to audit firms in 2006 and 2007, representing approximately 30 per cent of the local public audit market. The procurement was completed in April 2014 and the Commission is now making auditor appointments under the new contracts. The contracts are in addition to those let in 2012 covering the remaining 70 per cent of the local public bodies to which the Commission appoints the auditor. Under the provisions of the Local Audit and Accountability Act 2014, the Commission will close at the end of March 2015. A transitional body will be established from 1 April 2015 to oversee the Commission's audit contracts and will have responsibility for the existing statutory functions relating to auditor appointments. The transitional body will manage the contracts until their expiry in 2017 (or 2020 if the Department for Communities and Local Government opts to extend some or all of the 2 contracts). This is the point at which local public bodies will be required to have their own auditors in place or to have agreed to participate in any collective procurement arrangements that are established.
- 4.3 Members were verbally updated of this situation at the last meeting and that the Audit Commission had a duty to consult local government bodies on the auditor appointment. As requested by the Committee the Head of Finance did make contact with the Commission to determine the areas where a Council might consider an objection, however these did not really

accord with members reasons for an objection, these being; the excellent relationship that had been formed particularly with Barrie Morris, acknowledgement of the help in improving the Council's processes and practices and the link with South Somerset District Council who were to remain with Grant Thornton. In consultation with the Chief Executive and the Audit & Governance Chairman the Head of Finance did not make an objection to the change in auditor.

- 4.4 The Commission will write confirming the decision on the appointment of the auditor by 31 December 2014.



## **DRAFT ANNUAL GOVERNANCE STATEMENT**

For the year ended 31<sup>st</sup> March 2014

### **Scope of Responsibility**

East Devon District Council is required to ensure that its business is conducted in accordance with the law and proper standards; that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard again to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

East Devon's Council's Audit & Governance Committee has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. A copy of the code is on our website at [www.eastdevon.gov.uk](http://www.eastdevon.gov.uk). This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2011 to have approved an annual governance statement (AGS) which accompanies its Statement of Accounts.

The Head of Internal Audit is required to provide a written annual report to those charged with governance to support the AGS, this report was presented to the Council's Audit and Governance Committee on 26 June 2014 and a copy can be found here:

### **Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Devon District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

### **The Governance Framework**

The governance framework described has been in place for the year ending 31 March 2014 and up to the date of the approval of the statement of accounts.

Some of the key features of the governance framework are set out in the following paragraphs:

- The Council has an adopted Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The Council has a Council Plan for 2012 -16 which was refreshed in 2014 and has 4 core strategies supporting the Plan; Homes and Communities, Economy, Environment and Finance. Along side the Council Plan we also have produced a Customer Services Plan, a Communication Plan and an ICT Plan. All these documents can be found on the Council's website.
- Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the annual appraisal process which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by Overview and Scrutiny Committee. This Committee drives the scrutiny process on behalf of the public with a view to improving the delivery of public services.
- A Standards Committee is in place to promote and maintain high standards of conduct by members, to consider reports and make recommendations concerning the governance and ethical standards of the Council and advice on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols. The Committee meet quarterly if required.
- Audit & Governance Committee exists with wide-ranging terms of reference including the requirement to consider the effectiveness of the Authority's governance arrangements, taking into account risk management, the control environment and associated anti-fraud and anti-corruption arrangements. This committee also holds Cabinet to account with particular areas in 2013/14 being separately scrutinised at the request of the Audit & Governance Committee.
- The Council has designated the Deputy Chief Executive as Monitoring Officer (with an advising and deputy role through the Corporate Legal & Democratic Services Manager) to ensure compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Council also conforms with the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- An internal audit service is provided through the South West Audit Partnership which operates to the standards set out in the Code of Practice for Internal Audit in Local Government in the UK. Internal audit are responsible for monitoring the effectiveness of systems of internal control. The Service operates to an audit plan approved by the Audit and Governance Committee. The Council's Internal

Audit function is subject to regular inspection by the Council's external auditors (Grant Thornton UK LLP).

- The Council has a whistle-blowing and anti-fraud and corruption policy.

Appendix A contains a more detailed overview of the Council's Governance Framework

### **Review of Effectiveness**

East Devon District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of:

- Internal Audit Annual Report and Opinion 2013/14
- Internal and external audit and inspection.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Group Auditor for SWAP, the Head of Finance, the Corporate Legal & Democratic Services Manager, the Monitoring Officer and the Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in the Governance Action Plan.
- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
  - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a monthly basis and council service performance reports.
  - Overview & Scrutiny Committee holds the Cabinet Committee to account.
  - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
  - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
  - The South West Audit Partnership provides an independent and objective assurance service to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred.

Improvements made in Governance arrangements during 2013/14 to note include;

- Further staff training has been given on Contract Standing Orders and Procurement practices and there has been the continued roll out e-procurement making procurement activities more transparent. The further refinement of Pro-spend as a spending analysis tool is a useful aid to have corporate oversight to procurement activities.
- The Council has received improved assessment of key financial controls as reported by SWAP. Their annual report states there as been a noticeable improvement on previous years in a reduction in the number of audit recommendations made which indicates an improved level of internal control at service level.
- External reports received from Grant Thornton during the year also show a good and improving position for the Council.
- Staff have been reminded of the key content in the Governance Policies.
- The Accounts Forward and Accounting Policies, along with the proposed layout of the Governance Statement, were presented to the Audit and Governance Statement at their March meeting for early agreement and involvement in the process. This was request by the Committee following debates by the Committee of the Grant Thornton publication “Slow Burner”.
- The preparation of the Governance Statement itself has had involvement from the Chair of Audit & Governance and draft copy was presented to his Committee for early consideration in June.
- Members of the Audit & Governance Committee have requested differing formats of the risk register for review in order to ensure scrutiny is carried out and the register is now reviewed at every meeting.

### **Significant Governance and Control Issues Identified – Governance Action plan**

The Audit and Governance Committee expressed concern during the year in the risk of the Council not having processes in place to regularly monitor a 5 year land supply for strategic planning purposes. This issue and concern has been highlighted to Council by the Committee who continue to pursue the matter.

Details were included in last years Governance Statement on a councillor’s resignation following allegations made against the councillor concerning planning influence. In 2013/14 the Audit & Governance Committee requested a review into Governance Arrangements for Members and the findings of which were the Auditors could find no evidence of any improper influence and gave reasonable assurance on the governance framework. Committee members were content with the findings of that review.

It should be noted that there is currently a senior management restructure that is being proposed that involves changes to statutory officer's position and roles. This is being considered by Cabinet, Overview and Scrutiny and finally Council.

The Council is currently involved in two significant projects which have associated risks; office relocation and the proposal for an ICT shared service arrangement with Exeter City Council and Teignbridge District Council. In addition to this being monitored through a detailed risk register for each project, SWAP have and continues to independently review both these projects. In addition with the ICT shared service additional assurance work is being undertaken by Grant Thornton as separate piece of requested work by the Councils involved.

Council Members and Officers have been continually updated and advised on the implications of reviews of the effectiveness of the Council's systems of internal control. Plans have been devised and put in place to ensure continuous improvement. The Council's annual review of the governance framework, including the system of internal controls and associated reviews during the year, identified some areas where action is appropriate to enhance the governance and internal control environment and ensure continuous improvement. The key areas are listed below, along with the proposed actions to remedy or improve the position.

<b>SWAP reviews undertaken in 2013/14 which only achieved partial assurance</b>			
Corporate Back Up Routines (audit date 20/5/13)	Presently the backup servers remain within the main building and other systems are still being backed up to tape, which although approximately 100 metres from the main building are still within the Council grounds.	<p>It was agreed that the ICT Design and Compliance Manager would ensure:</p> <ul style="list-style-type: none"> <li>• the prompt relocation of the backup servers to the offsite storage facility; <b>Now complete</b></li> <li>• a risk assessment of the premises is undertaken; <b>Not required as the current on site premises is no longer the primary storage area for the backups</b></li> <li>• a risk assessment of the current backup arrangements for tapes is carried out with a view to storing these offsite. <b>No longer required as tapes are no longer used as the primary means of data recovery.</b></li> </ul>	ICT Design and Compliance Manager

Corporate Procurement Cards	<p>A number of significant high priority findings from an audit review of Procurement Cards.</p> <p>A request was made by the Head of Finance to review this area as producers appeared weak. No inappropriate uses of the cards were found but a number of recommendations were made to improve procedures.</p>	<p>Recommendations have been agreed inline with the audit report and have been, or being implemented. SWAP will follow up on the implementation in 2014/15.</p>	Income & Payments Officer
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Signed & Dated

**Chief Executive**

**25/9/2014**

Signed & Dated

**Leader of the Council**

**25/9/2014**

## Appendix A

### Below is an overview of the Council's Governance Framework

As stated the Council has an adopted Code of Corporate Governance which is inline with CIPFA/SOLACE documentation on delivering good governance in local Government. This defines the corporate governance framework and sets out six core principles of good governance as shown below.

<b>Corporate Governance Framework</b>		
Corporate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled, and through which we account to, engage with and where appropriate, lead the community.		
1. Focus on purpose of the Council, vision for local area and outcomes for the community.	2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.	3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.	5. Developing capacity of Members and Officers to be effective.	6. Engaging with local people to ensure public accountability.

(A) Key Documents: Regular/Annual Review or Production	(B) Key Documents: Ad hoc Review or Production	(C) Contributory Processes/Regulatory Monitoring	
<ul style="list-style-type: none"> <li>• Financial Plan (including Medium Term Financial Plan)</li> <li>• Annual Revenue &amp; Capital Estimates</li> <li>• Service Plans</li> <li>• Statement of Accounts</li> <li>• Internal/External Audit Protocol</li> <li>• Council Tax Booklet</li> <li>• Performance Monitoring Reports (Measure Reports &amp; performance indicators)</li> <li>• Financial Monitoring Reports</li> <li>• East Devon Connect</li> <li>• External Audit Report to those charged with Governance</li> <li>• External Audit Review report</li> <li>• Annual opinion from SWAP Group Audit Manager to support Annual Governance Statement</li> <li>• Management Assurance Statements</li> <li>• Governance Statement</li> </ul>	<ul style="list-style-type: none"> <li>• Council Plan</li> <li>• Constitution including Financial and Contract Standing Orders</li> <li>• Scheme of Delegation</li> <li>• Code of Corporate Governance</li> <li>• Anti-Fraud, Theft and Corruption Policy</li> <li>• Complaints Procedure</li> <li>• Communication Plan</li> <li>• Community Engagement Policy</li> <li>• Customer Service Plan</li> <li>• Procurement Strategy</li> <li>• Freedom of Information</li> <li>• Health Safety, Welfare and Employment Policies</li> <li>• Data and Information Quality Policy</li> <li>• Information Security Policy</li> <li>• ICT Strategy</li> <li>• Protocol – Member Officer Relations</li> <li>• Members Code of Conduct</li> <li>• Employees Code of Conduct</li> <li>• Partnership Policy and Guidance</li> <li>• Risk Management Policy and Guidance</li> <li>• Published Agendas, Reports and Minutes of Committees</li> <li>• Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Audit &amp; Governance Committee</li> <li>• Standards Committee</li> <li>• Overview &amp; Scrutiny Committee</li> <li>• Housing Review Board</li> <li>• Independent Remuneration Panel for Members Allowances</li> <li>• Strategic Management Team</li> <li>• Monitoring Officer appointed</li> <li>• S151 Officer Appointed</li> <li>• Head of Paid Service appointed</li> <li>• Customer Complaints/Feedback Process</li> <li>• Procurement &amp; Efficiency Group</li> <li>• Resident's Panel consultation</li> <li>• Asset Management Forum</li> </ul>	<ul style="list-style-type: none"> <li>• Job Descriptions and Person Specifications</li> <li>• Job Evaluation Process</li> <li>• Employee Induction</li> <li>• Employee Surveys</li> <li>• Learning and Development Programme – Employees/Members</li> <li>• Performance Excellence Review</li> <li>• Criminal Conviction Checks</li> <li>• Health &amp; Safety Officer</li> <li>• Fraud Forum</li> <li>• External Audit</li> <li>• Internal Audit</li> <li>• Gift and Hospitality Registers for Employees</li> <li>• Members Register of Interest</li> <li>• Annual Review of Internal Audit, Risk Management &amp; Governance Arrangements</li> </ul>

Date: 25<sup>th</sup> September 2014  
Contact number: 01395 517430  
E-mail: sdavey@eastdevon.gov.uk  
Our Reference: SD/WH  
Your Reference:



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Bristol  
BS1 6FT

East Devon District Council  
Knowle, Sidmouth, EX10 8HL

Phone: 01395 516551  
Email: csc@eastdevon.gov.uk  
DX 48705 Sidmouth



Dear Sirs

## East Devon District Council Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of East Devon District Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.

- i We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- ii The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.
- iii We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- iv Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

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Cont/...





- v We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.
- vi Except as stated in the financial statements:
  - a there are no unrecorded liabilities, actual or contingent;
  - b none of the assets of the Council has been assigned, pledged or mortgaged; and
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vii We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- viii Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xi We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Cont/...

### **Information Provided**

- xiv We have provided you with:
- a access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - b additional information that you have requested from us for the purpose of your audit; and
  - c unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv We have communicated to you all deficiencies in internal control of which management is aware.
- xvi All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a management;
  - b employees who have significant roles in internal control; or
  - c others where the fraud could have a material effect on the financial statements.
- xix We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- xx We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

### **Annual Governance Statement**

- xxiii We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Cont/...

**Approval**

The approval of this letter of representation was minuted by the Audit and Governance Committee at its meeting on 25 September 2014.

Signed on behalf of the Council.

Name.....  
**Simon Davey**

Head of Finance  
25<sup>th</sup> September 2014

Name.....  
**Councillor Ken Potter**

Chairman of Audit and Governance  
25<sup>th</sup> September 2014

# The Audit Findings for East Devon District Council

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**Year ended 31 March 2014**

16 September 2014

**Barrie Morris**

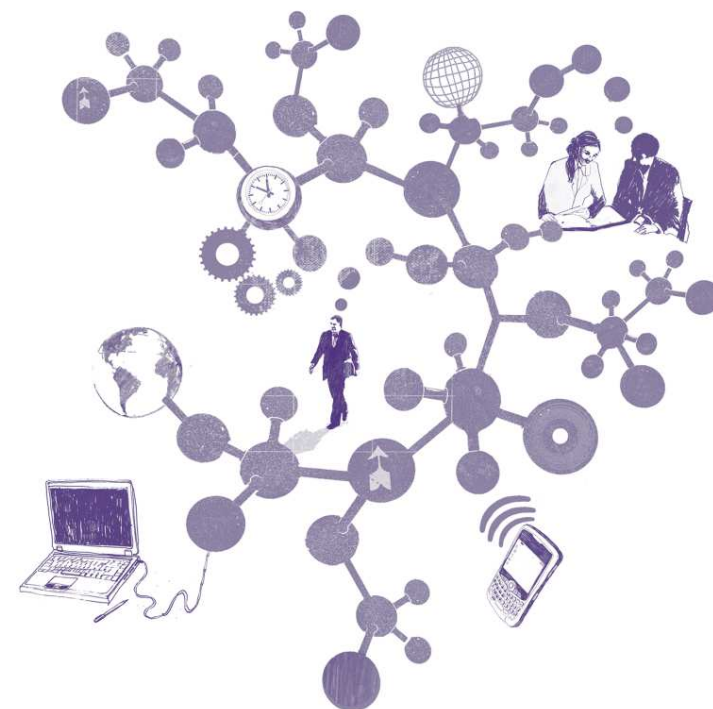
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Section 1: Executive summary

**01. Executive summary**

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of East Devon District Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated February 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- review of final version of the Annual Governance Statement;
- updating our post balance sheet events review, to the date of signing the opinion;
- receipt of internal legal response;

- receipt of response from Those Charged With Governance regarding how they obtain assurance over management processes and arrangements; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

We have not identified any material errors in the draft accounts presented for audit.

Further, our audit has not identified any adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). However, we have identified a number of adjustments to improve the presentation of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the accounts were produced to a good standard; and
- all requests for additional information were dealt with promptly by the finance team.

Further details are set out in section 2 of this report.



### **Value for Money conclusion**

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

The Council's financial position remains challenging and significant savings still need to be identified to enable balanced budgets to be set without relying on the use of reserves.

Further detail of our work on Value for Money is set out in section 3 of this report.

### **Whole of Government Accounts (WGA)**

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

### **Controls**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section 2 of this report.

### **The way forward**

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance and the finance team.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**September 2014**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit and Governance Committee on 13 March 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made any changes to our Audit Plan as previously communicated to you on 13 March 2014.

## **Audit opinion**

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> </ul>	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Substantive testing of material expenditure streams</li> <li>• Substantive testing of creditor balances</li> <li>• Review of after date payments to ensure all liabilities identified</li> </ul>	In our review of creditor balances we noted that one accrual made for £300,000 was significantly more than the actual costs of £37,092 that was paid subsequent to balance sheet date.  Other than that noted above, our audit work has not identified any significant issues in relation to the risk identified.
<b>Employee remuneration</b>	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Review of control account reconciliations</li> <li>• Payroll trend analysis</li> <li>• Substantive testing of employee remuneration expenditure</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.
<b>Welfare expenditure</b>	Welfare benefit expenditure improperly computed	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Testing a sample of benefit claims to ensure they were eligible and had been calculated correctly</li> </ul>	Our audit work has not identified any significant issues in relation to the risk identified.

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p><b>Housing Rent Revenue Account</b></p>	<p>Revenue transactions not recorded</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Substantive testing of revenue</li> </ul>	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p><b>Property, plant &amp; equipment</b></p>	<p>PPE activity not valid</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> <li>• Walkthrough and tests of design and operation of controls</li> <li>• Substantive testing of additions and disposals</li> </ul>	<p>During our substantive testing of disposals, we determined that there were a number of refuse vehicles that were recorded as disposed of in the year when they were actually disposed of in the 2014/15 financial year. As the vehicles were fully depreciated and they were disposed of with no proceeds, there is no effect to the statements in the accounts.</p> <p>However, arrangements should be improved to ensure that any disposals are correctly accounted for in the financial year that they are disposed of.</p> <p>Other than that noted above, our audit work has not identified any significant issues in relation to the risk identified.</p>

# Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p><b>Revenue recognition</b></p>	<p>Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:</p> <ul style="list-style-type: none"> <li>• Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.</li> <li>• Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.</li> <li>• Where revenue has been recognised but cash has not been received, a debtor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.</li> </ul>	<p>We have reviewed the Council's recognition of revenue and found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used;</li> <li>• Accounting policies had been adequately disclosed;</li> <li>• Revenue had been appropriately recognised; and</li> <li>• The policies are in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice.</li> </ul>	<p style="text-align: center;">   <b>Green</b> </p>

**Assessment**

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Green – Accounting policy appropriate and disclosures sufficient
- Amber – Accounting policy appropriate but scope for improved disclosure

# Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<p><b>Judgements and estimates</b></p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>• pension fund valuations and settlements;</li> <li>• revaluations and impairments;</li> <li>• provisions; and</li> <li>• accruals.</li> </ul>	<p>We have reviewed the accounting areas where the Council has exercised judgement and used estimates. We found that:</p> <ul style="list-style-type: none"> <li>• Appropriate policies had been used;</li> <li>• Accounting policies had been adequately disclosed; and</li> <li>• Areas where judgement had been used were supported by the work of an expert or a third party.</li> </ul>	<p style="text-align: center;"> <b>Green</b></p>
<p><b>Judgements and estimates – PPE revaluations</b></p>	<p>Note 24.5 of the accounts sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2010 and 31 March 2014. This approach is similar to many other authorities and we are satisfied that the carrying amount of Property, Plant and Equipment (based on these valuations) does not differ materially from the fair value at 31 March 2014.</p> <p>In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously.</p> <p>This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> <li>• the revaluation of the class of assets is completed within a 'short period'; and</li> <li>• the revaluations are kept up to date.</li> </ul>	<p>In our view we would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p> <p>In addition, through our testing of valuations of property, plant and equipment, it was noted that there are five assets that have not been revalued in the last five years. Their carrying value is currently £264k. These assets should be revalued as soon as practicable.</p> <p>Appropriate arrangements should be put in place to ensure that the carrying value of all assets recorded in the Balance Sheet is not materially different from their fair value at the point the financial statements are prepared.</p>	<p style="text-align: center;"> <b>Amber</b></p>




**Assessment**

- Red – Marginal accounting policy which could potentially attract attention from regulators
- Green – Accounting policy appropriate and disclosures sufficient



- Amber – Accounting policy appropriate but scope for improved disclosure



# Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
<b>Judgements and estimates – PPE useful lives</b>	<p>Note 24.3 of the accounts sets out the useful lives and depreciation rates for vehicles, plant and equipment. Note 24.5 of the accounts states that valuations of vehicles, plant and equipment are based on historic cost less depreciation and residual values where there is an active second-hand market.</p> <p>The code states that for depreciated historical cost to be considered a proxy to fair value, the useful life must be a realistic reflection of the life of the assets and the depreciation method used must provide a realistic reflection of the consumption of that asset class.</p>	The Council does not have a complete formal process in place to ensure that the useful lives and method of depreciation provides a realistic reflection of the consumption of the assets.	 <b>Amber</b>
<b>Judgements and estimates – soft loans</b>	Note 1.14 of the accounts sets the accounting treatment for loans made to other organizations at a rate less than market value. A loss is recorded in the Comprehensive Income and Expenditure Statement for the present value of the interest that would be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.	The Council, as set out in note 27.3 of the accounts, has only included soft loans made that are interest free. The Council has not included the soft loan made to Beer CLT at below market rates in the accounts. The amount is not significant for 2013/14, it will be once the full amount of the loan is made to Beer CLT in future years and will therefore need to be reflected appropriately in the accounts.	 <b>Amber</b>
<b>Other accounting policies</b>	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	 <b>Green</b>

## Assessment

-  Red – Marginal accounting policy which could potentially attract attention from regulators
-  Green – Accounting policy appropriate and disclosures sufficient

-  Amber – Accounting policy appropriate but scope for improved disclosure

## Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	2,583	Note 22	The interest paid to the PWLB on outstanding debt in the year was originally excluded from the related parties note.
2 Disclosure	N/A	Note 17	The Note for officer remuneration contained errors: <ul style="list-style-type: none"> <li>• The full time equivalent salary for the Deputy Chief Executive - Transformation &amp; Systems Thinking was originally overstated by £1,239; and</li> <li>• The Chief Executive was in one too low of a salary band as the taxable expenses allowances was excluded for his salary in error.</li> </ul>
3 Disclosure and presentation	N/A	Various	Whilst we acknowledge the work undertaken by the Council to prepare the Annual Governance Statement and financial statements for our review, there are a number of minor disclosure and presentational adjustments that were required to be made to the drafts presented for audit. For example, the cash and cash equivalents note 30 had an error in the cash and cash equivalents sum total being reported as £2,446,00 when the total was actually £2,466,000.

## Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure £'000	Net Assets £'000	Reason for not adjusting
1 Fully depreciated refuse vehicles totalling a cost of £128k that were disposed of with no proceeds in the 2014/15 financial year have incorrectly been reflected in the 2013/14 accounts.	Nil	Nil	Not material
2 Grant income of £176k relating to discretionary housing payments has incorrectly been included within the <i>Finance - Housing Benefits and Council Tax Benefits</i> line in note 21 of the accounts.	Nil	Nil	Not material
3 Accrual of expenses was significantly more than the actual cost paid subsequent to balance sheet date and therefore expenses and the creditor balance was overstated.	(263)	263	Not material
4 The breakdown of creditors, note 31, has understated the <i>Other local authorities</i> balance by £158k and overstated the <i>sundry</i> balance by £158k. The total disclosed on the balance sheet and in note 31 are correct.	Nil	Nil	Not material
5 The breakdown of debtors, note 29, has understated the <i>Government departments</i> balance by £258k and overstated the <i>Other</i> balance by £258k. The total disclosed on the balance sheet and in note 29 are correct.	Nil	Nil	Not material

## Unadjusted misstatements (continued)


Detail	Comprehensive Income and Expenditure £'000	Net Assets £'000	Reason for not adjusting
6 An assets that had been disposed of in 2004 had not been removed from the asset register and therefore property, plant and equipment is overstated by £332k.	332	(332)	Not material
<b>Overall impact</b>	<b>£69</b>	<b>£(69)</b>	

# Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

These and other recommendations, together with management responses, are included in the action plan attached at Appendix A.

	Assessment	Issue and risk	Recommendations
1	 Deficiency	We have identified opportunities to improve the control environment for information technology , as deficiencies around: <ul style="list-style-type: none"> <li>• System administration responsibilities for the Academy application; and</li> <li>• Data edits made directly to the application databases.</li> </ul>	We recommend that management: <ul style="list-style-type: none"> <li>• ensure the system administration responsibilities are reviewed and if possible transferred to ICT Business Solutions or another team who do not have such close links with the Revs &amp; Bens function;</li> <li>• ensure key high risk data items within the iTrent and eFinancials system (including as minimum salary, bank account and payment details) are identified; and</li> <li>• In the case of each a one-off check is carried out to confirm whether a change directly at database level would generate an entry on an exception report or reconciliation within the user function.</li> </ul>

## Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

## Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's submission of the fraud survey to the Audit Commission, and received confirmation that the Council is not aware of any fraud that would have a material impact on the financial statements. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed.</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>

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## Section 3: Value for Money

01. Executive summary

02. Audit findings

**03. Value for Money**

04. Fees, non audit services and independence

05. Communication of audit matters

# Value for Money

## Value for money conclusion

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

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

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

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

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

## Key findings

### Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators;
- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that in a period of austerity, the Council has, to date, managed its finances effectively. The Council underspent against its budget for 2013/14 allowing it to contribute £0.449 million to the general fund reserve at year end. The Council has set a small surplus budget of £0.075 million for 2014/15 which includes the requirement to deliver savings of just under £1.156 million which are built into the budget.

Beyond 2014/15 the position becomes far more challenging. A further £1.8 million of savings will need to be identified in the period 2015/16 – 2017/18 to allow the Council to reduce budget gaps and set balanced budgets.

Therefore, we assess the current arrangements for achieving financial reliance as adequate.

### Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Our work highlighted that the overall arrangements are sound at the Council. The Council continues to consider a wide range of options for developing savings and efficiency plans.

### Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.



We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<ul style="list-style-type: none"> <li>The Council has underspent against its general revenue budgets for the past four years and its housing revenue budget for the past two years.</li> <li>The reserves for the Council overall increased this year and well above the minimum levels set by members to protect against key financial risks.</li> <li>The key ratios of the Council are similar or have improved from the previous year.</li> <li>The Council's staff sickness level for 2013/14 of 8.44 has decreased by 0.70 days from last year and is currently below the Council's target of 8.5 days but above the national average.</li> </ul>	<b>Green</b>
<b>Strategic financial planning</b>	<ul style="list-style-type: none"> <li>The Council's medium term financial plan (MTFP) is a 4 year financial planning horizon up to 2017/18. The Council goes through a detailed process in developing its financial plans. Budget proposals are consulted on and considered at various draft stages and by various committees before going to Full Council for approval.</li> <li>For 2014/15, savings of £2.083 million were identified and built into the budget to provide a surplus budget for the Council. The Council will need to continue to find substantial savings as the updated MTFP shows a cumulative budget gap from 2015/16 onwards totalling £1.8 million by the end of 2017/18.</li> <li>The Council has a strong track record of containing its expenditure within budget. Nevertheless the local government sector faces unprecedented financial challenges over the next 3 years. Members will have to continue to show strong leadership in decision making to ensure the Council remains financially resilient.</li> </ul>	<b>Green</b>
<b>Financial governance</b>	<ul style="list-style-type: none"> <li>The Council has a good process for financial governance that covers the whole planning cycle, includes consultation on proposals and performance reporting, and is underpinned with effective challenge and assurance processes.</li> <li>There is a clear understanding of the financial environment of the Council.</li> <li>There is appropriate engagement with stakeholders, Members and staff.</li> <li>The Council has adequate monitoring arrangements in place for Member and officer level.</li> </ul>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Financial control</b>	<ul style="list-style-type: none"> <li>The Council has a strong recent track record on budgetary and financial control, demonstrated by good financial outcomes, which is indicative of a robust financial control framework. The arrangements to monitor delivery of the budget are robust and there are sufficient reserves to cover any slippage in savings programmes but there is no specific monitoring of delivery of the savings plans which is consistent with previous years.</li> <li>The Council set an ambitious capital programme for the year of over £21.1 million. The final outturn actual spend of £12.6 million with a majority of the underspend relating to scheme slippage moving into the capital programme for 2014/15.</li> <li>The Council's Internal Audit reviews key areas and has confirmed controls are satisfactory and the majority of review were found to be adequately controlled.</li> <li>The Council continues to maintain and review risks faced by the Council.</li> </ul>	<b>Green</b>
<b>Prioritising resources</b>	<ul style="list-style-type: none"> <li>The Council prioritises its resources based on priorities in the Council Plan.</li> <li>The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources. Example includes the Council investigating and moving forward with relocation of office accommodation as the current location is costly and will require significant improvements in future years to continue to be fit for the Council.</li> </ul>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<ul style="list-style-type: none"> <li>The Council continues to consider a wide range of options to improve efficiency. This is demonstrated by the approval of the shared Information and Communications Technology service with two other Councils which will provide significant savings to East Devon in future years. The shared services is expected to begin implementation in November 2014.</li> <li>The Council can demonstrate through its performance and budget management arrangements that it continues to make improvements in efficiency and productivity. Through its Council Plan it can demonstrate that it continues to look for new ways to achieve efficiencies and provide services.</li> <li>We recognize that further difficult decisions will need to be made to generate further savings to bring the Council back to a sustainable financial position.</li> </ul>	<b>Green</b>

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## Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

**04. Fees, non audit services and independence**

05. Communication of audit matters

# Fees, non audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

## Fees

	Per Audit plan £	Actual fees £
Council audit	55,800	*56,700
Grant certification	10,600	**12,614
<b>Total audit fees</b>	<b>66,400</b>	<b>69,314</b>

\*There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been approved by the Audit Commission.

\*\*The indicative fee published by the Audit Commission for grant certification work for required in 2013/14 for the Council is £12,614. As the work has not yet been completed on the grant certifications, we therefore cannot confirm the final fee.

## Fees for other services

Service	Fees £
Review of IT Shared Service Arrangements – Phases 1 and 2. This is a joint review for East Devon District Council, Exeter City Council and Teignbridge District Council. The total fee for these two phases of the work was £17,998, the cost of which was shared equally across the three councils. The fee identified here represents the Council's share of the work delivered.	£5,999

## Independence and ethics

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

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

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## Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

# Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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

# Appendices

# Appendix A: Action plan

## Priority

**Significant deficiency** – risk of significant misstatement

**Deficiency** - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that all assets within the same class are valued within the same financial year to meet the Code's requirements for revaluing of Property, Plant and Equipment in paragraph 4.1.2.35.	Significant deficiency	We will review the process within Estates to ensure compliance with the Code.	2014/15 accounts Estates
2	The Council should ensure that all assets are revalued at least every five years in line with policies and the Code. The six assets that were noted as not having been revalued in over five years should be revalued for the next financial year.	Significant Deficiency	We will review the process within Estates to ensure compliance with the Code.	2014/15 accounts Estates
3	The Council should ensure that the effect of all loans provided at less than market rates are account for in line with accounting policies for soft loans and the Code within the accounts.	Deficiency	This relates to Beer CLT loan and we are still seeking clarification for the 2014/15 accounts.	2014/15 accounts Finance / Legal
4	The Council should implement a formal process for assessing that the useful lives and method of depreciation for vehicles, plant and equipment provides a realistic reflection of the consumption of the assets.	Deficiency	Only IT does not have a formal process. Due to asset transfer to Strata, no longer relevant.	November 2014 Not applicable



# Appendix A: Action plan

## Priority

**Significant deficiency** – risk of significant misstatement

**Deficiency** - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
5	System administration responsibilities are reviewed and if possible transferred to ICT Business Solutions or another team who do not have such close links with the Revs & Bens function;	Deficiency	This is not considered necessary as the Support team are a separate team within Revenues & Benefits and report directly into the Revenues & Benefits Manager. The nature of the work the Support team does creates some risk but we have considered the risks and believe we have sufficient mitigation to reduce the risks.	Not applicable
6	High risk data items within the iTrent and eFinancials system (including as minimum salary, bank account and payment details) are identified and in the case of each a one-off check is carried out to confirm whether a change directly at database level would generate an entry on an exception report or reconciliation within the user function.	Deficiency	Whilst acknowledging a theoretical risk, the likelihood of practical implications are considered to be low. Mitigations are in place and awareness of the mitigation processes and checks have been reinforced with the ICT teams as consequence of this audit.	Not applicable

# Appendix B: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST DEVON DISTRICT COUNCIL**

### **Opinion on the Authority financial statements**

We have audited the financial statements of East Devon District Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund Account and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of East Devon District Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Head of Finance and auditor**

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance and the overall

presentation of the financial statements. In addition, we read all the financial and non-financial information in the foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of East Devon District Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we report by exception**

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

**Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**

**Respective responsibilities of the Authority and the auditor**

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

**Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

**Conclusion**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, East Devon District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

**Certificate**

We certify that we have completed the audit of the financial statements of East Devon District Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Barrie Morris  
Director  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Hartwell House  
55-61 Victoria Street  
Bristol  
BS1 6FT

September 2014



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# Certification work plan for East Devon District Council

Year ended 31 March 2014

1 September 2014

**Barrie Morris**

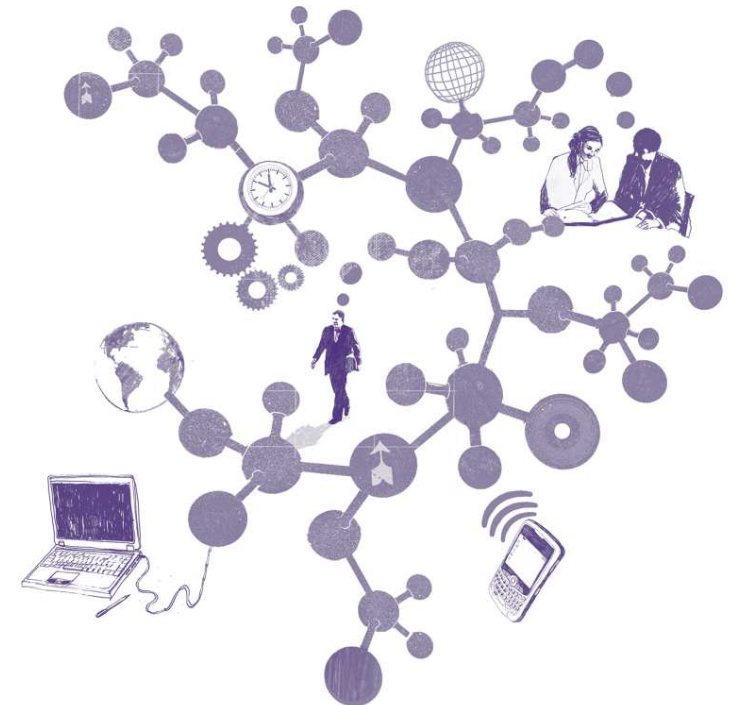
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1. Our approach to certification work	3

# Our approach to certification work

## Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claims which require certification at East Devon District Council for 2013/14 is the Housing Benefit Subsidy claim and the Pooling of Housing Receipts return.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Department for Communities and Local Government (DCLG) require the external certification of the Pooling of Housing Receipts return.

The Audit Commission agrees certification arrangements with the DWP and DCLG and issues certification instructions. The arrangements include the deadline for submission of each claim by authorities and the deadline for certification by auditors (30/11/2014 for the Housing Benefit Subsidy claim and 30/09/2014 for the Pooling of Housing Receipts return).

## Role of all parties

The table following summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
DWP and DCLG	Sets conditions of subsidy and deadline for submission for pre-certified and certified claim/return
Audit Commission	Issues certification instruction for auditor work
Council	Submits claim/return for certification to the Appointed Auditor within DWP and DCLG submission deadlines
Appointed Auditor	Certifies claim/return in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below:

- the Head of Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims/returns are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the claim or return;
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement;
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies;
- the DWP and DCLG requires the Council's certificate to be given by an appropriate senior officer. This is typically the Head of Finance or an officer authorised by written delegated powers; and
- the Council should monitor arrangements with any third parties involved in the certification process.

---

## Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefits scheme;
- national non-domestic rates return; and
- pooling of housing receipts return.

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefits scheme); and
- national non-domestic rates return.

## Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the Council;
- or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim or return is qualified because the Council has not complied with the strict requirements set out in the DWP's or DCLG's terms and conditions, there is a risk that the DWP or DCLG will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim or return requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

## Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. The indicative fee for the Council is £12,614. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year;
- the Council provides adequate working papers to support each entry in the claim or return; and
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.



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## **Administration**

When the claim or return is completed, a copy of the signed claim should be sent to Ashley Allen at the following address:

**Grant Thornton UK LLP**  
**1<sup>st</sup> Floor, Unit 26-28**  
**Basepoint**  
**Yeoford Way**  
**Marsh Barton Trading Estate**  
**Exeter**  
**EX2 8LB**

The **original** claim or return should be retained by the Council.

## **Managing the certification process – our role**

- We intend to certify the Housing Benefit Subsidy claim and Pooling of Housing Receipts return in accordance with the deadlines set by the Audit Commission. If we receive the claim or return after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt.
- A copy of the certified claim or return will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable.
- Copies of the certification instruction can be provided on request.
- We expect to complete the certification work by 30/11/2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



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**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 25 September 2014  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** **8**

**Subject:** Internal Audit Plan – Review of 2014/15 - Quarters 1 and 2

**Purpose of report:** The Audit Committee agreed the 2014/15 Internal Audit plan at its March 2014 meeting. This report is the update position at the end of Quarters 1 and 2.

Appendix A - Report of Internal Activity for Quarters 1 and 2  
Appendix B - Plan Progress Table with Status and Opinion for each audit  
Appendix C - Audit Opinion Definitions

**Recommendation:** **To note the content of the Internal Audit Progress Report**

**Reason for recommendation:** As a key element of its Governance arrangements the Council have a partnership arrangement with South West Audit Partnership to deliver an annual internal audit plan. The Audit Manager for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team produced an Audit Plan for 2014-15 that was approved by the Audit and Governance Committee in March 2014.

The Committee are required to review the progress of the audit plan.

**Officer:** Andrew Ellins – Audit Manager (SWAP)

**Financial implications:** No direct financial implications

**Legal implications:** The legal framework is reflected in the report

**Equalities impact:** Low Impact

[Click here to enter text on impact level relating to your report. Link to an equalities impact assessment form if necessary.](#)

**Risk:** Low Risk

[Click here to enter text on risk considerations relating to your report.](#)

**Links to background information:**

- Approved Internal Audit Plan 2014/15 – Audit and Governance Meeting March 2014

**Link to Council Plan:** [Click here to enter which of the Council's priorities this report covers – Living in/Working in/ Enjoying/Funding this Outstanding Place.](#)

## APPENDIX A



### East Devon District Council

Report of Internal Audit Activity  
Quarter 1 and 2 Update, 2014/15

# Contents

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The contacts at SWAP in connection with this report are:

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Director of Quality

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**Andrew Ellins**

Audit Manager

Tel: 07720 312464

[andrew.ellins@southwestaudit.co.uk](mailto:andrew.ellins@southwestaudit.co.uk)

Summary:

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Overview of Internal Audit Activity	
Internal Audit Work Programme 2014/15:	Page 2
Operational Audits	Page 3
Key Controls Audits	Page 4
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Governance, Fraud and Corruption	Page 5
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Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

## Role of Internal Audit

The Internal Audit service for East Devon District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in June 2014.

Internal Audit provides an independent and objective opinion on the Authority’s control environment by evaluating its effectiveness. Primarily the work includes;

- Operational Audit Reviews
- Annual Review of Key System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

## Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year’s Audit Plan was approved by the Audit Committee at its meeting in March 2014.

Audit assignments are undertaken in accordance with this Plan to assess current levels of governance, control and risk.

## Quarter 1&2 Outturn:

**We rank our recommendations on a scale of 1 to 5, with 1 being minor or administrative concerns to 5 being areas of major concern requiring immediate corrective action.**

## Internal Audit Work Programme

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2014/15. It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

Each completed assignment includes its respective “control assurance” opinions together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as shown in [Appendix C](#).

Where assignments record that recommendations have been made to reflect that some control weaknesses have been identified as a result of audit work, these are considered to represent a less than significant risk to the Council’s operations. However, in such cases, the Committee can take assurance that improvement actions have been agreed with management to address these.

Quarter 1&2 Outturn:

**Audit Assignments undertaken in the Quarter**

- **Operational Audits**

## Operational Audits

Operational Audits are a detailed evaluation of a Service’s control environment. A risk evaluation matrix is devised and controls are tested. Where weaknesses or areas for improvement are identified, actions are agreed with management and target dated.

In Quarters 1 and 2 there were six Operational audits planned and one follow up audit planned;

Audit Area	Opinion	Audit Area	Opinion
Bailiffs	Deferred	Homelessness Prevention	In Progress
Emergency Planning	Draft	Remote and Mobile Working	Deferred
Estates Management	Draft	Procurement Cards Follow Up	In Progress - Non Opinion
Contract Management – Responsive repairs and work to void properties	In Progress		

The Bailiffs audit has been rescheduled for Qtr3 at the request of the client. The Remote and Mobile Working audit has been deferred so that the operational audit can run alongside the ICT audit of the same area which has been deferred to Quarter 3.

Contract Management – Responsive repairs and work to void properties was added to the Audit Plan in Quarter 2 at the request of management to replace the Absence Management Theme governance audit that was originally scheduled.

One non opinion Operational Follow Up Audits was planned for Qtr 2 and it is currently In Progress.



Quarter 1&2 Outturn:

### Audit Assignments undertaken in the Quarter

- Key Control Audits
- Information Systems

## Key Controls Audits

Key Control Audits are completed to assist the External Auditor in their assessment of the Council’s financial control environment. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance that there is a satisfactory framework of internal control.

3 key control audits are planned to provide assurance over the main financial systems;

Council Tax and NDR	Housing and Council Tax Benefits	Main Accounting
---------------------	----------------------------------	-----------------

These audits are always undertaken in Qtr 3 (October – December) and therefore no update is available as yet for 2014/15.

## Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. As with Operational Audits, an audit opinion is given. In Quarters 1 & 2 there were three IT audits planned, two of which are in progress.

Audit Area	Opinion	Audit Area	Opinion
Disaster Recovery	In Progress	Protective Marking	Not started
ICT Shared Service	In Progress		

Protective Marking is a themed review and this audit is expected to commence in the near future.

Quarter 1&2 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**
- **Special Reviews**

## Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all of our Client sites.

There were four governance audits planned for Quarter 1&2;

Audit Area	Opinion	Audit Area	Opinion
Statutory Officers	In Progress	Tenancy Fraud	In Progress
Absence Management Theme	Removed	Private Water Supply Regulation Theme	In Progress

The Absence Management Theme audit was removed at the client request and replaced with an operational audit called Contract Management – Responsive repairs and work to void properties.

## Special Reviews

There were no special reviews carried out in Quarters 1 or 2.

We keep our audit plans under regular review, so as to ensure we are auditing the right things at the right time.

## Future Planned Work

This is detailed in [Appendix B](#) and is subject to any changes in agreement with the S151 officer.

## Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in June 2014, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2013/14 that gave Reasonable Assurance.

Our approach to the audits for 2014/15 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls. We shall continue to give ongoing assurance on key controls, but similarly we can do this with less resource than we have previously.

A list of all audits planned for 2014/15 and their status at the end of Quarter 2 are detailed in [Appendix B](#).

There were no High Priority Findings identified from the work completed so far in Quarter 1 and 2.

East Devon District Council Audit Plan Progress 2014/15 - Qtr 1 and 2 Update

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Governance, Fraud &	Statutory Officers	1	In Progress		0	0	0	0	0	0
ICT	Disaster Recovery	1	In Progress		0	0	0	0	0	0
ICT	ICT Shared Service	1	In Progress		0	0	0	0	0	0
Advice/ Consultancy	Council Office Relocation	1-4	Ongoing	Non opinion	0	0	0	0	0	0
Operational	Bailiffs	1	Deferred		0	0	0	0	0	0
Operational	Emergency Planning	1	Final	Partial	12	0	2	7	3	0
Operational	Estates Management	1	Draft	Reasonable	0	0	0	0	0	0
Follow Up	Procurement Cards Follow Up	2	In Progress	Non opinion	0	0	0	0	0	0
Governance, Fraud &	Tenancy Fraud	2	In Progress		0	0	0	0	0	0
Governance, Fraud &	Absence Management Theme	2	Removed		0	0	0	0	0	0
ICT	Protective Marking	2			0	0	0	0	0	0
Operational	Remote and Mobile Working	2	Deferred		0	0	0	0	0	0
Operational	Private Water Supply Regulation Theme	2	In Progress		0	0	0	0	0	0
Operational	Homelessness Prevention	2	In Progress		0	0	0	0	0	0
Operational	Contract Management – Responsive repairs and work to void properties	2	In Progress		0	0	0	0	0	0
Governance, Fraud &	Payroll Starters & Leavers Theme	3			0	0	0	0	0	0
Governance, Fraud &	E-Procurement	3			0	0	0	0	0	0
ICT	Mobile and Remote Working	3	Deferred		0	0	0	0	0	0
Key Control	Main Accounting	3			0	0	0	0	0	0
Key Control	Council Tax / NDR	3			0	0	0	0	0	0
Key Control	Housing & Council Tax Benefits	3			0	0	0	0	0	0
Follow Up	Streetscene Asset Inspections (public safety)	4			0	0	0	0	0	0
Governance, Fraud &	Recruitment and Vetting Fraud Theme	4			0	0	0	0	0	0
Governance, Fraud &	VAT Theme	4			0	0	0	0	0	0
Operational	Cash Collection	4			0	0	0	0	0	0
Operational	Council Homes	4			0	0	0	0	0	0
Operational	Leisure East Devon	4			0	0	0	0	0	0
Operational	Regeneration	4			0	0	0	0	0	0

**Audit Framework Definitions**

**Control Assurance Definitions**

<b>Substantial</b>	▲ ★★★ I am able to offer substantial assurance as the areas reviewed were found to be adequately controlled. Internal controls are in place and operating effectively and risks against the achievement of objectives are well managed.
<b>Reasonable</b>	▲ ★★ I am able to offer reasonable assurance as most of the areas reviewed were found to be adequately controlled. Generally risks are well managed but some systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>Partial</b>	▲ ★ I am able to offer Partial assurance in relation to the areas reviewed and the controls found to be in place. Some key risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.
<b>None</b>	▲ I am not able to offer any assurance. The areas reviewed were found to be inadequately controlled. Risks are not well managed and systems require the introduction or improvement of internal controls to ensure the achievement of objectives.

**Categorisation Of Recommendations**

When making recommendations to Management it is important that they know how important the recommendation is to their service. There should be a clear distinction between how we evaluate the risks identified for the service but scored at a corporate level and the priority assigned to the recommendation. No timeframes have been applied to each Priority as implementation will depend on several factors, however, the definitions imply the importance.

Priority 5: Findings that are fundamental to the integrity of the unit’s business processes and require the immediate attention of management.

Priority 4: Important findings that need to be resolved by management.

Priority 3: The accuracy of records is at risk and requires attention.

Priority 2: Minor control issues have been identified which nevertheless need to be addressed.

Priority 1: Administrative errors identified that should be corrected. Simple, no-cost measures would serve to enhance an existing control.

**Definitions of Risk**

<b>Risk</b>	<b>Reporting Implications</b>
<b>Low</b>	Issues of a minor nature or best practice where some improvement can be made.
<b>Medium</b>	Issues which should be addressed by management in their areas of responsibility.
<b>High</b>	Issues that we consider need to be brought to the attention of senior management.
<b>Very High</b>	Issues that we consider need to be brought to the attention of both senior management and the Audit Committee.

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 25 September 2014  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** **Item 9**

**Subject:** **1<sup>st</sup> High Risk Review 2014/15**

**Purpose of report:** The high risk information is supplied to allow the Audit and Governance Committee to monitor the high Strategic and Operational Risks outside of the bi-annual reporting. This follows a review of risks focusing on high risks by responsible officers to end of August 2014.

**Recommendation:** **1. That the Audit and Governance Committee considers the current status of the high risks until 30 September 2014 when a full risk review will be undertaken and reported to the following committee.**

**Reason for recommendation:** To ensure that the Risk Management Policy and Guidance is being followed and all risks are being monitored and control actions implemented.

**Officer:** Joanne Avery, Management Information Officer  
[javery@eastdevon.gov.uk](mailto:javery@eastdevon.gov.uk)  
ext 2332

**Financial implications:** There are no direct financial implications.

**Legal implications:** There are no direct legal implications

**Equalities impact:** Low Impact

**Risk:** Low Risk  
Failure to identify, assess, monitor, review and manage risks could impact negatively (i.e. financial, reputational, operationally) on the council.

**Links to background information:**

- [Appendix A – The high and upper medium risk report as at end of August 2014](#)

**Link to Council Plan:** Living, working, enjoying and outstanding Council

## Report in full

1. Our Risk Management Policy requires all risks identified to be reviewed bi-annually. In addition to this it was agreed by the Audit and Governance committee that all high risks would be reviewed and reported to each committee between the bi-annual reviews.
2. The four high risks from the full risk register have been reviewed by their responsible officers. For this the owners of the risks were asked to re-assess the overall risk, update their control action/s and re-score the risk to give a residual score in light of the mitigation from the control actions undertaken. In addition to this the service heads were asked to consider all of their risks and highlight any that were emerging as high level.
3. The risks which were scored as high on the risk register have now been assessed and remain as they were at the last review in March. These are:-

- **Significant loss or non collection of rental income will have a major impact on the Housing Revenue Account and our ability to deliver housing services to our tenants.** - Impact: Major Likelihood: Very likely

Loss of rental income is now being experienced due welfare reforms introduced nationally, but the controls we have in place are helping us to keep this loss to a minimum.

- **Loss of Supporting People contracts would mean a significant loss of income that part pays for the housing related support service received by our tenants in sheltered housing.** - Impact: Serious Likelihood: Very likely

While our Supporting People grant has reduced by around ten per cent this year, we are looking to offer the service to our tenants in general needs accommodation, and then to the private sector population, many of whom it is anticipated will be self-funding.

- **Potential move to an ICT shared service may disrupt the service.** - Impact: Serious Likelihood: Very likely

Moving to a shared service is complex and complicated. There is much change for technology, ICT staff and users and so carries a high risk of failure.

Further information including control actions for these risks can be found at [appendix A](#) report showing all of the high and upper medium risks, (upper medium scoring 8 or over).

4. All services were asked to consider their risks and highlight any emerging high risks. Following this there are no new high risks.
5. Current number of risks in each service by risk score as at end August 2014

Finance	High	Medium	Low
<i>This review</i>		3	17

Economy	High	Medium	Low
<i>This review</i>		9	10

Housing	High	Medium	Low
<i>This review</i>	2	10	10

Environment	High	Medium	Low
<i>This review</i>		3	11

Legal & Democratic	High	Medium	Low
<i>This review</i>		10	4

Organisational Development	High	Medium	Low
<i>This review</i>		3	10

ICT	High	Medium	Low
<i>This review</i>	1	3	2

Strategic Risks	High	Medium	Low
<i>This review</i>		7	5

6. The next full risk review will take place in September to be reported at the following Audit and Governance meeting. At the next full risk review we will also seek to include high risk reports from our two major projects, office accommodation and shared ICT for members' information.

## High and upper medium risks only with control action (SR & OR)

Report for 2014/2015

Filtered by Flag: Include: Strategic Risks, Operational Risk

Exclude: Archive

Filtered by Performance Status: Include Risk Status: Medium, High  
Not Including Projects records, Including Control Action records

### Key to Performance Status:

Control Action:	No longer required	No Data available	Not Effective	in Planning / Progress	Completed	Working and Effective
Risks:	No Data (0+)	High (12+)	Medium (6+)	Low (1+)		

## High and upper medium risks only with control action (SR & OR)

**Risk: Loss of Supporting People contracts and income** Loss of Supporting People contracts would mean a significant loss of income that part pays for the housing related support service received by our tenants in sheltered housing.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: High (12)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 01 Oct 2009</b>	<b>Service: Housing</b>	

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Compliance with contract conditions	Ensure that managers and staff are aware of the terms of the contract and actions required such as the returns and data we need to provide, and that these are provided on time.	John Golding	02/10/2009	31/03/2014
Working and Effective	District Work Model	100% mobile support service offered by April 2010 to comply with Supporting People Contract expectations with district offices being available for all staff to be located.	John Golding	28/10/2009	31/03/2014
in Planning / Progress	New business generation	New business generated and/or service charges increased	John Golding	31/03/2013	31/03/2014
Working and Effective	Older People Strategy	Ensure that we are making changes to our service consistent with the Supporting Older People Strategy.	John Golding	02/10/2009	31/03/2014
Working and Effective	Quality Assessment	Ensure that we are meeting the Quality Assessment Framework requirements and undertaking the necessary Support Plans and Risk Assessments for each client.	John Golding	28/10/2009	31/03/2014
Working and Effective	Supporting People Quality Assessment Framework	The last 'core objective' to be achieved for compliance with the Framework of Support needs identified at application point of contact for all new sheltered housing tenants.	John Golding	28/10/2009	31/03/2014

Responsible Officer: Sue Bewes

Review Note:



## High and upper medium risks only with control action (SR & OR)

**Risk: Loss of rental income** Significant loss or non collection of rental income will have a major impact on the Housing Revenue Account and our ability to deliver housing services to our tenants.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: High (12)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 01 Oct 2009</b>		<b>Service: Housing</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Intervention when arrears occur	Clear and robust procedures for intervention when tenant arrears escalate beyond a specified level.	John Golding	28/10/2009	31/03/2014
Working and Effective	New tenancy 'sign up'	Early guidance to new tenants on expectations for rent payments and the implications of non payment. Tenant Handbook and Systems Thinking redesign emphasises this approach.	John Golding	02/10/2009	31/03/2014
Working and Effective	Patch working	Internal Audit will be consulted before any changes in operational practice is implemented through Systems Thinking Redesign.	John Golding	12/05/2010	31/03/2014
Working and Effective	Procedures for income management	Comprehensive and up to date procedures for income management that staff are trained in and understand fully.	John Golding	28/10/2009	31/03/2014
Working and Effective	Promote help that can be provided	Promote Credit Unions and use of Discretionary Housing Payments	John Golding	31/03/2013	31/03/2014
Working and Effective	Provision made for increased bad debt	Provision made for increased bad debt	John Golding	31/03/2013	31/03/2014
Working and Effective	Rent payment methods	Operating a number of payment methods for tenants including direct debit availability for all tenants.	John Golding	28/10/2009	31/03/2014
Working and Effective	Segregation of duties	Annual audit reports refer to segregation of duties (rent collection and debt creation) and this is a mitigated risk in a small Rental Section where existing controls attempt to prevent fraud.	Peter Richards	12/05/2010	31/03/2014
Working and Effective	Systems Thinking Regime	Tenant Handbook and Systems Thinking redesign.	John Golding	02/10/2009	31/03/2014
Working and Effective	Welfare Advisors appointed	Welfare Advisors appointed to provide advice and information to tenants	John Golding	31/03/2013	31/03/2014

**Responsible Officer: Sue Bewes**

**Review Note:** Loss of rental income is now being experienced due welfare reforms introduced nationally, but the controls we have in place are helping us to keep this loss to a minimum.

## High and upper medium risks only with control action (SR & OR)

**Risk: Move to a shared service may cause disruption** Potential move to an ICT shared service may disrupt the service

<b>Pure Status: Medium (9)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: High (12)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 05 Jan 2012</b>		<b>Service: Information Technology</b>

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
in Planning / Progress	Good programme and project management processes, skills and resources		Chris Powell	05/01/2012	31/03/2014

**Responsible Officer: Chris Powell**

**Review Note:** Moving to a shared service is complex and complicated/ There is much change for technology, ICT staff and users and so carries a high risk of failure.

**Risk: New-Build Council Homes** The risks associated with being a developer of council homes, especially with regards potential abortive costs, cost overruns, failure to obtain planning permission and loss of HCA grant.

<b>Pure Status: High (16)</b>	<b>Pure Risk Impact: Major</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 01 Oct 2009</b>		<b>Service: Housing</b>

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Completed	Development expertise	Ensure that we have the necessary development expertise through the appointment of external consultants and we engage appropriate internal advice on planning, legal, and property matters.	John Golding	02/10/2009	31/03/2014
Working and Effective	Homes and Community Agency (HCA) bids and grants	Ensure that we can comply with all the bidding requirements set by the HCA as part of the Investment Management System.	John Golding	02/10/2009	31/03/2014
Working and Effective	Joining Partnership South West development consortium	Can call on development expertise of experienced housing association developers.	John Golding	15/09/2011	31/03/2014
Completed	Robust development proposals	Ensure that building proposals have been carefully assessed and realistic prior to bids for HCA grant, planning permission, tender etc.	John Golding	02/10/2009	31/03/2014

**Responsible Officer: John Golding**

**Review Note:** Developer risk will be mitigated by the appointment of a Senior Technical Officer (Assets) and utilising their expertise on any projects we take forward. We attempt to de-risk projects by careful analysis and accurate costings with contingencies.

## High and upper medium risks only with control action (SR & OR)

**Risk: Safeguarding Children** Failure to notify the responsible authority when staff suspect a child is at risk.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Major</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 01 Oct 2009</b>		<b>Service: Housing</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Completed	Email reminder from Corporate Director	Following the audit review of the Council's arrangements for safeguarding children the Corporate Director has sent global email reminding staff to be vigilant.	John Golding	02/11/2009	31/03/2014
Working and Effective	Liaison with the Children's Trust	Close liaison and joint working with the Children's Trust and Social Services to ensure that we are up to date with developments in child protection.	John Golding	02/10/2009	31/03/2014
Working and Effective	Safeguarding Children Policy	Ensure that all staff are aware of the policy and their responsibility to report suspicions of the need for child protection.	John Golding	02/10/2009	31/03/2014
Completed	Staff training	DVD training available	John Golding	02/11/2009	31/03/2014

**Responsible Officer: John Golding**

**Review Note:** The risk impact level for this risk has been raised this because of all the media attention this area now generates when things go wrong. We have seen a good number of child protection cases where partner agencies are being implicated (not just the fault of Social Services). We have also seen failures that result in the death of a child. We have updated the Safeguarding Children Policy adopted and promoted it internally. We have formed a Devon local authority safeguarding group and are seeing better sharing of information and good practice.

**Risk: Failure to protect against tenancy fraud** Failure to protect the council and its existing and prospective tenants against tenancy fraud, which may be the granting of a property to an inappropriate person or where a tenant illegally sublets.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 13 Oct 2009</b>		<b>Service: Housing</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Occupancy checks on tenants in temporary and general accommodation	Periodic and targeted occupancy checks undertaken to determine the appropriate occupier is residing in the property.	Dennis Boobier	13/10/2009	31/03/2014
Working and Effective	Social housing fraud initiative	Subscribing to the national fraud prevention initiative and following Audit Commission advice.	Dennis Boobier	13/10/2009	31/03/2014
Working and Effective	Tenancy Fraud Strategy	Strategy agreed by the Housing Review Board to be implemented.	Dennis Boobier	04/05/2011	31/03/2014
Working and Effective	Tenancy 'sign up' checks	Undertaking a series of checks on identity and circumstances at tenancy 'sign up' to ensure the tenancy is being grant to an appropriate person.	Dennis Boobier	13/10/2009	31/03/2014

**Responsible Officer: Sue Bewes**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Missed court or tribunal deadlines** Missed court or tribunal deadlines resulting in court directions, deadlines or dates are overlooked.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 28 Oct 2009</b>		<b>Service: Legal, Licensing and Democratic Services</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Monitoring of court communication and supply of instructions from clients	Use of Outlook and electronic file records being kept up to date; effective liaison with clients	Henry Gordon Lennox	29/10/2009	31/03/2014

**Responsible Officer: Henry Gordon Lennox, Rachel Pocock**

**Review Note:**

**Risk: Budget cuts needed in ICT costs** Budget cuts

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 05 Jan 2012</b>		<b>Service: Information Technology</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
in Planning / Progress	Investigate sharing ICT	Investigate sharing or combining ICT with other organisations	Chris Powell	05/01/2012	31/03/2014

**Responsible Officer: Chris Powell**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Unforeseen expenditure on council homes** Unplanned need to spend on repairs and maintenance

<b>Pure Status: Medium (6)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Unlikely</b>
<b>Residual Status: Medium (9)</b>	<b>Residual Risk Impact: Serious</b>	<b>Residual Risk Likelihood: Likely</b>
<b>Date Identified: 07 Sep 2012</b>		<b>Service: Housing</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	HRA Business Plan	The HRA Business Plan captures known items of major expenditure and is designed to maintain the Council's assets.	John Golding	31/03/2013	31/03/2014
Working and Effective	Improvement programmes	We devise five year improvement programme to ensure that the housing stock is fit for purpose.	John Golding	31/03/2013	31/03/2014
Working and Effective	Insurance	Council homes are insured.	John Golding	31/03/2013	31/03/2014
Working and Effective	Stock survey information	We use stock condition information to predict major expenditure and plan spend over a number of years.	John Golding	31/03/2013	31/03/2014

**Responsible Officer: John Golding**

**Review Note:** We have seen weather related water penetration damage over the past winter. Budget surpluses will allow for a certain amount of unforeseen expenditure.

**Risk: Home Safeguard system failure** An IT failure would result in the Council being unable to receive emergency calls from clients with Home Safeguard alarm equipment installed in their homes. This could result in emergency calls remaining unanswered and the worst case scenario of a death of an elderly or vulnerable client.

<b>Pure Status: High (16)</b>	<b>Pure Risk Impact: Major</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Major</b>	<b>Residual Risk Likelihood: Unlikely</b>
<b>Date Identified: 01 Oct 2009</b>		<b>Service: Housing</b>

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Disaster recovery process	Ability to transfer calls to Burnside office in Exmouth	John Golding	01/10/2009	31/03/2014
Working and Effective	Maintenance contract	Contract with software supplier with 4 hour response time.	John Golding	01/10/2009	31/03/2014
Working and Effective	Staff trained on system failure	Staff manual and training provided for staff to action in an emergency	John Golding	01/10/2009	31/03/2014
Working and Effective	Upgraded / New UPS system	Upgrade and installation of new UPS system at same time as PNC6 system installed to ensure no break in service/availability in power/back up is experienced.	John Golding	28/10/2009	31/03/2014
Working and Effective	UPS system	Uninterrupted Power Supply installed	John Golding	01/10/2009	31/03/2014

**Responsible Officer: Sue Bewes**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Lone working - Landlord Services** Failure to protect staff who are lone working in the community.

**Pure Status: High (16)**

**Pure Risk Impact: Major**

**Pure Risk Likelihood: Very Likely**

**Residual Status: Medium (8)**

**Residual Risk Impact: Major**

**Residual Risk Likelihood: Unlikely**

**Date Identified: 01 Oct 2009**

**Service: Housing**

### Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Bespoke Lone Working Arrangements	Each section within Housing have their own Lone Working procedures and practices. In most cases, in practice, the employee phones in and gives an update on their whereabouts during the day.	John Golding	28/10/2009	31/03/2014
Working and Effective	Health & Safety Advisor	The Council has an officer dedicated to ensuring the Health & Safety of Employees who gives advice where necessary.	John Golding	28/10/2009	31/03/2014
Working and Effective	Home Safeguard monitoring of lone workers	From April 2010 offer staff the lone worker monitoring facility through the PNC6 system at Home Safeguard.	John Golding	28/10/2009	31/03/2014
Working and Effective	Lone Working Policy and associated training	Ensure that all staff are aware of and follow the Lone Working Policy and procedures designed to protect their safety. Ensure all relevant staff attend training.	John Golding	02/10/2009	31/03/2014

**Responsible Officer: Sue Bewes**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Business failure of a major contractor or significant partner** Failure of a major contractor to delivery key services in accordance with the specification /service level agreement or a significant partnership fails through a legal, financial, reputational, relationship or governance issue resulting in service failure.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Major</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Major</b>	<b>Residual Risk Likelihood: Unlikely</b>
<b>Date Identified: 02 Oct 2009</b>		<b>Service: Strategic Risks</b>

<b>Control Action records</b>					
<b>Control Status</b>	<b>Control Action</b>	<b>Info</b>	<b>Responsible Person</b>	<b>Date Identified</b>	<b>Last Review Date</b>
in Planning / Progress	Pre tender selection procedure	Pre-tender selection process aims to ensure only those contractors with the technical expertise, performance history and financial standing are invited to tender in accordance with CSO's.	Simon Davey	02/10/2009	01/04/2014
in Planning / Progress	Service lead to consider at pre contractual stage a fall back position	Service lead to consider at pre contractual stage what the fall back position would be in terms of contract failure and how to provide for this	Rachel Pocock	23/09/2013	01/04/2014
in Planning / Progress	Service lead to regularly monitor service delivery against performance targets on contracts	Service leads to regularly monitor service delivery against performance targets on contracts and advise legal and finance of significant breaches of contract at an early stage.	Rachel Pocock	23/09/2013	01/04/2014
in Planning / Progress	Service leads to keep the corporate contracts register up to date.	Service leads to keep the corporate contracts register up to date.	Rachel Pocock	22/05/2014	

**Responsible Officer: Henry Gordon Lennox, Rachel Pocock**

**Review Note:** Need to review with service managers what assistance the contract register could be in managing this risk

## High and upper medium risks only with control action (SR & OR)

**Risk: Adequate emergency planning and business continuity** A failure to adequately plan for emergencies and understand what issues arise in planning for business continuity could lead to a major service failure.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Major</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Major</b>	<b>Residual Risk Likelihood: Unlikely</b>
<b>Date Identified: 06 Oct 2009</b>		<b>Service: Strategic Risks</b>

<b>Control Action records</b>					
<b>Control Status</b>	<b>Control Action</b>	<b>Info</b>	<b>Responsible Person</b>	<b>Date Identified</b>	<b>Last Review Date</b>
in Planning / Progress	Clear accountability for cascading information and communicating to the staff and public	Clear accountability for cascading information and communicating to the staff and public	John Golding	31/03/2014	01/04/2014
in Planning / Progress	Effective liaison, contact, communication and training arrangements	Effective communication and training associated with the Plan	John Golding	07/10/2009	01/04/2014
in Planning / Progress	Effective local plan for emergencies	Clear allocation of accountability and key personnel identified in the Business Continuity Plan	John Golding	07/10/2009	01/04/2014
Working and Effective	Effective means of securing resources/equipment and implementing plan	During normal working hours and out of hours	John Golding	07/10/2009	01/04/2014
in Planning / Progress	Regular review of Council Emergency and Business Continuity Plan	Regular review of Council Emergency and Business Continuity Plan	John Golding	31/03/2014	01/04/2014
in Planning / Progress	Rehearsal and testing of the plan by various service areas	Ensure a regular and planned test and review of the Emergency Plan to ensure it is operable, effective, streamlined and up-to-date.	John Golding	07/10/2009	01/04/2014

**Responsible Officer: John Golding**

**Review Note:**



## High and upper medium risks only with control action (SR & OR)

**Risk: Failure to implement a Community Infrastructure Levy (CIL) charging schedule by 2014** Failure to implement a Community Infrastructure Levy (CIL) charging schedule by 2014 (mandatory start date) could reduce our ability to collect finance we would have otherwise expected to receive from new developments

<b>Pure Status: Medium (9)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Major</b>	<b>Residual Risk Likelihood: Unlikely</b>
<b>Date Identified: 26 Aug 2011</b>		<b>Service: Planning Policy</b>

<b>Control Action records</b>					
<b>Control Status</b>	<b>Control Action</b>	<b>Info</b>	<b>Responsible Person</b>	<b>Date Identified</b>	<b>Last Review Date</b>
in Planning / Progress	Consultants working on New Growth Point area charging schedule.	Consultants working on New Growth Point area charging schedule	Matt Dickins	26/08/2011	31/03/2014
Completed	Create, consult on and implement charging schedule in agreement with upper and lower tier Councils	Create, consult on and implement charging schedule in agreement with upper and lower tier Councils, and communities.	Matt Dickins	26/08/2011	31/03/2014
Completed	Gather and prioritise Infrastructure demands	Gather and prioritise Infrastructure demands	Matt Dickins	26/08/2011	31/03/2014
in Planning / Progress	Put in place cross boundary governance for procurement as necessary.	Put in place cross boundary governance for procurement as necessary.	Matt Dickins	26/08/2011	31/03/2014
in Planning / Progress	Review of Cranbrook development infrastructure requirements to inform policy	Review of Cranbrook development infrastructure requirements to inform future policy	Matt Dickins	31/03/2014	31/03/2014
Completed	Viability Study commissioned.	Viability Study commissioned.	Matt Dickins	26/08/2011	31/03/2014
Completed	Widen Consultants brief to whole of the District	Widen Consultants brief to whole of the District	Matt Dickins	26/08/2011	31/03/2014

**Responsible Officer: Matt Dickins**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Failure of members to observe their Code of Conduct** Failure of Members to understand their Code of Conduct. The Code is a key to good behaviour, good decision making and preserves the reputation of the Council with the public and partners

<b>Pure Status: Medium (9)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Significant</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 08 Oct 2009</b>		<b>Service: Strategic Risks</b>

<b>Control Action records</b>					
<b>Control Status</b>	<b>Control Action</b>	<b>Info</b>	<b>Responsible Person</b>	<b>Date Identified</b>	<b>Last Review Date</b>
Working and Effective	Code of Conduct	Members sign-up to abide by the Code of Conduct. The Code is regularly updated in line with government directives.	Denise Lyon	09/10/2009	01/04/2014
Working and Effective	Regular Training	Regular training on the Code of Conduct and related topics for district and parish councillors.	Denise Lyon	09/10/2009	01/04/2014
Working and Effective	Standards Committee consideration of Code complaints and training	Standards Committee/Monitoring Officer consideration of Code complaints [as appropriate] and future training requirements of district and parish members.	Denise Lyon	11/10/2012	01/04/2014

**Responsible Officer: Denise Lyon**

**Review Note:**

## High and upper medium risks only with control action (SR & OR)

**Risk: Failure to ensure we have an agreed Local Plan** Failure to ensure we have an agreed Local Plan would impact on our ability to provide a 5 year housing land supply and deliver optimal sustainable development for the District infrastructure and on our growth and redevelopment plans across the district. This could result in unplanned planning and affect the economic viability of the district.

<b>Pure Status: High (12)</b>	<b>Pure Risk Impact: Serious</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Significant</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 20 Jan 2010</b>		<b>Service: Strategic Risks</b>

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
in Planning / Progress	Agree and adhere to a plan and timeline for response to Inspector in line with his requirements	Following the Local Plan inspection a revised timetable has been agreed with the Inspector and officers are working to meet his requirements. Challenges include duty to co-operate and management of additional information / tasks including SHMA and G&T	Richard Cohen	02/05/2012	01/04/2014
in Planning / Progress	Complete additional tasks to meet Inspector's requirements	Complete additional evidence gathering, modifications, consultation and other tasks to meet Inspector's requirements	Richard Cohen	31/03/2014	01/04/2014
in Planning / Progress	Secure an approved new Local Plan for East Devon	Local plan enquiry completed with the Inspector requiring additional work. Timetable agreed between the Policy Team and the Inspector with a target of Autumn 2014 to reconvene. Timetable will be closely monitored we expect new Local Plan adoption early 2014/15.	Richard Cohen	20/01/2010	01/04/2014

**Responsible Officer: Richard Cohen**

**Review Note:**

**Risk: Ability to respond to single issue pressure groups** Our ability to respond to single issue pressure groups as financial resources further constrict

<b>Pure Status: Medium (8)</b>	<b>Pure Risk Impact: Significant</b>	<b>Pure Risk Likelihood: Very Likely</b>
<b>Residual Status: Medium (8)</b>	<b>Residual Risk Impact: Significant</b>	<b>Residual Risk Likelihood: Very Likely</b>
<b>Date Identified: 31 Mar 2013</b>		<b>Service: Legal, Licensing and Democratic Services</b>

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Use corporate communication	Use corporate communication channels to help us deal with demand.	Rachel Pocock	31/03/2013	31/03/2014

**Responsible Officer: Henry Gordon Lennox, Rachel Pocock**

**Review Note:**

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 25 September 2014  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** **10**

**Subject:** **Risk Management Policy Review 2014**

**Purpose of report:** The Risk Management Policy and guidance has been updated following its three yearly review and requires approval by this Committee.

**Recommendation:** **1. That the Audit and Governance Committee consider for approval the updated Risk Management Policy and Guidance.**

**Reason for recommendation:** To ensure that the Risk Management Policy is proportionate and appropriate to the council's needs

**Officer:** Joanne Avery, Management Information Officer  
[javery@eastdevon.gov.uk](mailto:javery@eastdevon.gov.uk)  
ext 2332

**Financial implications:** There are no direct financial implications.

**Legal implications:** There are no direct legal implications

**Equalities impact:** Low Impact

**Risk:** Low Risk  
Failure to identify, assess, monitor, review and manage risks could impact negatively (i.e. financial, reputational, operationally) on the council.

**Links to background information:**

- [Appendix A – The Risk Management Policy and Guidance](#)

**Link to Council Plan:** Living, working, enjoying and outstanding Council

### Report in full

1. The current Risk Management Policy has been reviewed following the SWAP Audit of Risk Management within the Council. This updated policy needs to have approval from the Committee before it can be published.
2. There have been no major changes to the policy following this review.
3. The updated Risk Management Policy and Guidance appears at [Appendix A](#).

## East Devon District Council

### Risk Management – Policy and Guidance

<b>Issue details</b>	
<b>Title:</b>	<b>Risk Management – Policy and Guidance</b>
<b>Version number</b>	<b>Version 2.0</b>
<b>Officer responsible:</b>	<b>Simon Davey, Head of Finance and Section 151 Officer</b>
<b>Authorisation by:</b>	<b>Audit &amp; Governance Committee</b>
<b>Authorisation date:</b>	<b>xxx 2014</b>

## **1 Previous Policies/Strategies**

This policy/guidance updates the Risk Management – Policy and Guidance v1.0 January 2012

## **2 Why has the council introduced this policy?**

2.1 This policy and guidance is intended to provide a framework for the management of risk and also to increase overall awareness of risk throughout the council and to enable managers and those responsible for risk reporting, to better identify, assess and control risks within their areas. It seeks to enforce ownership. It defines roles and responsibilities to help ensure the risk management process is understood. It gives advice and guidance on best practice and describes the different elements that need to be managed in order that risk management methodology is embedded in every layer of the council.

2.2 We recognise that there are risks involved in everything we do and that we have a duty to manage these risks. This duty is to staff, residents and people working in the district, service users, partners and funding agencies.

2.3 Risk is part of everyday life. It can be defined as the chance that something will happen that has an impact upon aims and objectives. It is recognised that risk management is as much about exploiting opportunities as it is about managing threats, a certain amount of risk taking is inevitable and essential if we are to achieve our objectives. Risk needs to be managed rather than avoided and consideration of risk should not stifle innovation.

2.4 This document demonstrates our commitment in taking responsibility to manage our risks and opportunities in all aspects of service delivery effectively, using a structured and cost effective approach.

2.5 We will use risk management to maintain and improve the quality of services within the district and to deliver our priorities and objectives.

Our risk management policy objectives are to:

- Embed risk management into our culture
- Raise awareness and work with partners, providers and contractors to develop a common understanding of our expectations on risk management
- Integrate risk management into policy, planning and decision making
- Enable us to anticipate and respond to changing social, environmental and legislative conditions

These objectives will be achieved by:

- Identifying, assessing and effectively managing strategic and operational risks across the council,
- Establishing clear roles, responsibilities and reporting lines for risk management across the council,
- Incorporating the assessment of risk into all key decision making and planning processes of the council,

- Using SPAR.net for recording, assessment, monitoring of controls and reporting of risks.

### **3 Terms explained**

#### **3.1 Risk Management**

3.1.1 Risk can be defined as the effect of uncertainty on objectives, whether positive or negative.

3.1.2 Risks, therefore, need to be managed in order to successfully deliver the council's objectives. Risks should be fully understood and their probability (likelihood) and consequences (impact) subsequently managed.

#### **3.2 Risk Matrix**

3.2.1 A risk matrix is used in the risk assessment process. It creates a risk score from the combination of the likelihood and the impact of the risk. The risk becomes more severe as the likelihood and impact increase.

#### **3.3 Strategic Risk**

3.3.1 A strategic risk is generally managed by a Head of Service or Corporate Manager. It is something with the potential to cause harm (including ill health/injury; damage to assets; loss of reputation; environmental pollution; financial losses; increased liabilities etc). It can be an event or series of events that may impact on the high level vision and the council plan and other plans.

#### **3.4 Operational Risk**

3.4.1 Operational risks are managed by Heads of Service, Corporate Managers and Senior Managers and are defined as risks that can affect the delivery of individual services but would not, in isolation, threaten our overall objectives.

#### **3.5 Pure Risk**

3.5.1 This is the risk in its raw state without any mitigating controls (action controls in SPAR.net) in place.

#### **3.6 Residual Risk**

3.6.1 A residual risk is the remaining potential for harm to persons, property or the environment following all possible efforts to reduce predictable hazards. In other words, it is the risk that remains after a risk assessment has been carried out and mitigating controls have been put in place. This risk needs to be monitored to keep the mitigating controls up to date.

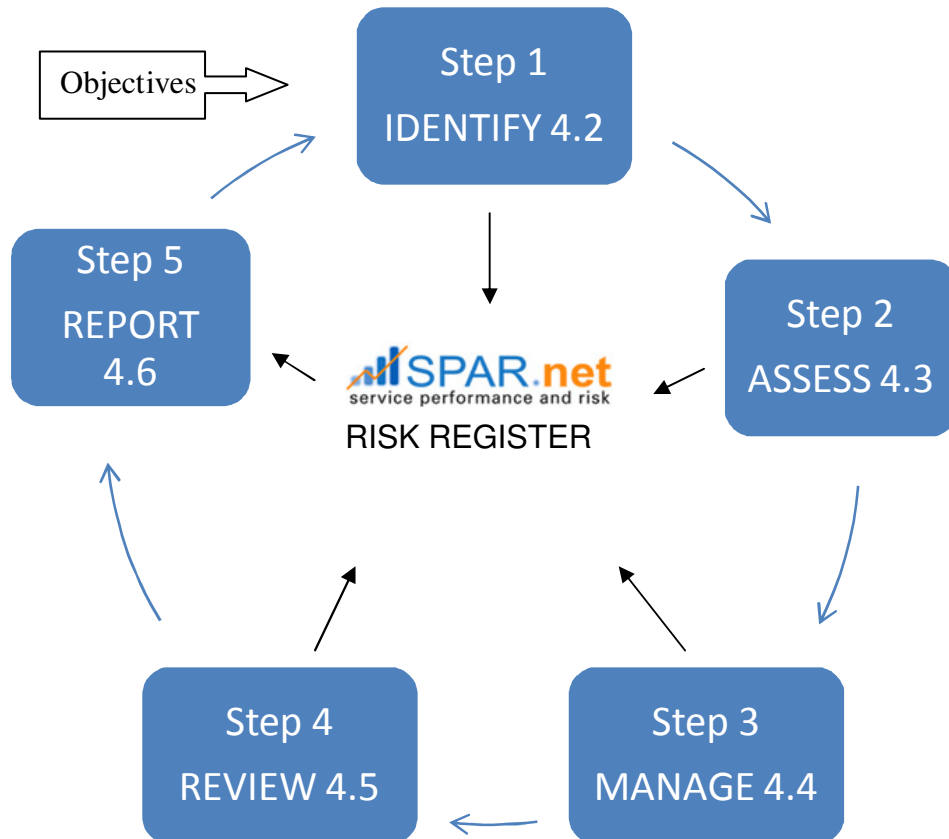
## 4 What is the council's policy?

### Risk Management Guidance

#### 4.1 Process Model

The process followed by us to manage risk is shown in the diagram below (see fig 4.1) and described in detail in the following paragraphs.

Fig 4.1



#### 4.2 Step 1 - How and when to Identify Risk

4.2.1 The majority of risks are identified at the annual service planning days where barriers to specific business objectives can easily be recognised. All staff have a duty to report emerging risks to their Managers or Heads of Service at anytime. Risks can raise and be identified when the following events occur:

- Internal or external processes change
- Staff/members leave and or restructuring takes place
- Partners change or restructure
- Legislation is revised or introduced
- The social and or economic climate alters
- An incident occurs (too late!)



4.2.2 To help in the risk identification process a range of the most common risk assessment techniques are set out in the table below (Table 4.2.2). These can be used as part of the service planning process or when an event as outlined above occurs.

Table 4.2.2

<b>Techniques</b>	<b>Description</b>
<ul style="list-style-type: none"> <li>• Questionnaires and checklists</li> </ul>	Individually designed questionnaires and checklists to collect information to assist with the recognition of the significant risks.
<ul style="list-style-type: none"> <li>• Workshops and brainstorming</li> </ul>	Collection and sharing of ideas and discussion around the events that could impact on the objectives
<ul style="list-style-type: none"> <li>• Audit and inspection reports</li> </ul>	To understand and check that processes and procedures are in place and working
<ul style="list-style-type: none"> <li>• Flowcharts and dependency analysis</li> </ul>	Analysis of processes and operations with the organisation to identify critical components that are key to success
<ul style="list-style-type: none"> <li>• SWOT and PESTLE analyses</li> </ul>	Strengths weaknesses opportunities threats (SWOT) and political economic social technological legal environmental (PESTLE) analyses offer structured approaches to risk recognition

4.2.3 The following are areas of risk which **have** to be assessed by Heads of Service and Corporate Managers.

- Fraud, theft or corruption – including, falsification of records, misuse of resources (including computer hardware/ software) and a criminal act falling within the Fraud Act (e.g. false representation, failure to disclose information, abuse of position etc).
- Non- compliance with statutory requirements or legislation – including, unawareness of legislative requirements and ignoring legislative requirements
- Non- compliance with our policy or procedures – including, breaches to financial regulations or contract standing orders, non-compliance with council policies including the our code of conduct for staff and councilors and failure to follow manuals, procedures and guides
- Change management – including, new initiatives and/or new ways of working changes to existing policies or new policies
- Disclosure of sensitive information – including, our ‘not for publication’ matters made public, failure to dispose of confidential waste appropriately, external/ internal attack on computer hardware/ software and errors or omissions affecting externally published material
- Insufficient resources – including, absence or sickness, unfilled vacancies, deficient or lack of computer resources, insufficient funding, recruitment and retention difficulties
- Poor performance management – including, failure to measure or meet externally set performance targets, failure to meet internally set performance targets, failure

to benchmark costs and performance and failure to set achievable goals and targets.

4.2.4 We have two categories of risk; strategic and operational (see 3.2 and 3.3 for definitions). There is a relationship between the two classes of risk which means that the cumulative effect of the unsuccessful management of operational risks will eventually represent a strategic risk, such as the failure of a number of key services or the significant loss of resources.

4.2.5 Expressing the risks as a statement is often harder than it first seems. It may require rethinking some basic assumptions about a situation and re-evaluating the elements that are most important. For example “lack of staff” is not in itself the complete risk but a consequence of another action. Try to identify the root cause, ask, “why is there a lack of staff” and develop it into a risk that expresses how the issue will impact upon achievement of our strategic objectives.

4.2.6 When writing a risk description, try to include these three parts: event – consequence – impact. This will ensure that the focus, therefore the action, is placed on the event:

1) An Event	2) A Consequence	3) The Impact
Loss of .....	..... leads to	.... resulting in
Failure of .....		
Failure to ....		
Lack of ....		
Inability to ....		
Inadequate .....		
Delay in ....		

For example:

The **lack of** performance information, public consultation and forward planning, **leads to** a fragmented approach to service development and our ability to meet recycling targets by 2011 might not be achieved, **resulting in** financial penalties to the Council.

### 4.3 Step 2 - How to Assess a Risk

4.3.1 Not all risks can be eliminated completely, but the likelihood and impact can be reduced or better controlled through assessment, control actions, monitoring and review.

4.3.2 Strategic or operational risks should be assessed in the context of the scale of risk associated with each. This may be determined by considering:

- Likelihood of the risk occurring
- Impact, or severity of the consequences should it occur

4.3.3 Risks are assessed by selecting a scale for both likelihood and impact and multiplying them to produce a risk rating. This rating then falls within one of the following categories in the matrix: high, medium or low.

4.3.4 Once a risk has been identified the first step in the assessment process is to work out the pure risk status (see 3.4) this is achieved by determining the likelihood of the risk occurring by selecting the appropriate score from table below (table 4.2.1).

Table 4.2.1

<b>LIKELIHOOD - GUIDE TO ASSESSMENT</b>				
<b>Likelihood of Occurrence</b>	<b>Score</b>	<b>Chance</b>	<b>Description</b>	<b>Indicators</b>
Very Likely	4	>75%	Almost certain to happen within six months	Happens frequently and/or encountered on a daily, weekly or monthly basis or will happen within 6 months.
Likely	3	40-75%	Will probably happen within 12 months	Happens occasionally, expected to occur at some point over the next 12 months
Unlikely	2	10-40%	Possible – may happen. Not expected between 1 - 3 years	Not expected to happen in the next 1 - 3 years
Remote	1	Less than 10%	Rare – do not believe this will happen except in exceptional circumstances. Not expected between 3 – 10 years.	Has happened rarely in the past or never before

4.3.5 Next assess the impact that the occurrence of the risk would have on the corporate objective, the delivery of the service, or objectives of the project if it should occur. Do this by selecting the appropriate score from table below (table 4.2.2).

Table 4.2.2

<b>Financial loss and/or outcomes with financial implications</b>	<b>Failure to provide statutory duties / meet legal obligations</b>	<b>Reputation</b>	<b>Service Disruption (days)</b>	<b>Performance</b>	<b>Health &amp; Safety</b>
<b>SCORE 4 MAJOR - IMPACT / OUTCOME (One or a combination of the following)</b>					
Errors or omissions affecting relevant separate budgets >25k or > 75% of budget, (whichever the smaller)  Loss of external grants and funding in > £25k	Litigation / Claims / Fines  Directorate > £125k Corporate > £250k	Adverse national media interest leading to :  Officer(s) and / or member(s) forced to resign  Failure to attract or retain suitable partners or suppliers	Service disruption of over 3 days	Failure to provide an excellent level of customer service  Failure to identify external opportunities and threats  Failure to learn from mistakes that have council wide implications	Death of an individual or several people  Permanent disability caused to an individual or several people
<b>SCORE 3 SERIOUS - IMPACT / OUTCOME (One or a combination of the following)</b>					
Errors or omissions affecting relevant separate budgets from £10k - £25k or 50-75% budget (whichever the smaller)  Loss of external grants and funding from £10k - £25k	Litigation / Claims / Fines  Directorate £25k - £125k Corporate £50k - £250k	Adverse local or regional media interest leading to :  Public embarrassment for Council Members or staff  Recruitment and retention difficulties affecting one service due to low staff morale	Service disruption of between 2-3 days	Failure to provide an adequate level of customer service  Failure to identify internal opportunities and threats affecting the whole council  Failure to learn from mistakes that have directorate wide implications	Major injury to an individual or several people
<b>SCORE 2 SIGNIFICANT - IMPACT / OUTCOME (One or a combination of the following)</b>					
Errors or omissions affecting relevant separate budgets from £1k - £10k or 25 – 50% of budget (whichever the smaller)  Loss of external grants and funding from £1k - £10k	Litigation / Claims / Fines Departmental £1k- £25k Corporate £10k - £50k	Contained within the Council (Questions raised by members)  Embarrassment for council Members or staff, not public  Some impact on staff morale in more than one service with no effect on recruitment or retention	Service disruption of between 1-2 days	Failure to identify and utilise staff potential within individual services  Failure to identify system inefficiencies and bottlenecks  Failure to learn from mistakes that have service wide implications	Minor injury to an individual or several people
<b>SCORE 1 MINOR - IMPACT / OUTCOME (One or a combination of the following)</b>					
Errors or omissions affecting relevant separate budgets up to £1k or 25% of budget (whichever the smaller)  Loss of external grants and funding up to £1k	Litigation / Claims / Fines Departmental < £1k Corporate < £10k  Scrutiny by regulatory body	Contained within the Service (Letters from the public)  Some impact on staff morale in one service with no effect on recruitment or retention	Service disruption of less than 1 day	Failure to learn from mistakes that have implications for individual members of staff	Discomfort caused to an individual or several people

4.3.6 The likelihood and impact scores then need to be multiplied together to give the 'pure risk' score using the risk matrix below (fig 4.2.2).

Fig 4.2.2

Impact	4 Major	4	8	12	16
	3 Serious	3	9	9	12
	2 Significant	2	4	6	8
	1 Minor	1	2	3	4
		1 Remote	2 Unlikely	3 Likely	4 Very Likely
		Likelihood			

#### 4.4 Step 3 - Manage the residual risk

4.4.1 Having identified a risk and assessed its impact and probability, the next step in the process is to develop actions to manage the risk. These are referred to as control actions. Controls are intended to help in mitigating either the impact or likelihood of the risk.

An example of a control action follows:

Risk Title

- **Failure to adequately anticipate or respond to a major health or environmental incident**

Example of a control action to mitigate the risk

- **Effective local plan for emergencies - The Emergency Planning Officer has drawn up emergency plans for key council personnel**

4.4.2 It maybe that a risk will need more that one control action and in more complex issues where, for example, the risk of inadequate ICT resilience is identified, the controls needed are both more sophisticated and numerous, and will be part of a whole array of measures that need to be taken.

4.4.3 In light of the control actions that have been put in place the risk now needs to be re-assess to find the level of '**residual risk**'(see 3.5 for definition). As in step 1 using the likelihood and impact tables (tables 4.2.1 and 4.2.4) determine the likelihood and impact of the risk with the controls in place. Again multiply those scores together and using the risk matrix (fig 4.2.4) identify the residual risk score.

4.4.4 Consider the action to be taken after determining the residual risk (see table 4.2.3 below).

Table 4.2.3

<b>ACTION TO BE TAKEN AFTER DETERMINING RESIDUAL RISK</b>		
12 - 16	<b>High</b>	Immediate action required
6 - 9	<b>Medium</b>	Evaluate effectiveness of current controls and actions and implement any improvements necessary before next review period
1 - 4	<b>Low</b>	Limited action, incorporate into current plans

4.4.5 Determine whether there are any opportunities within the risk assessment process. An example is the Cranbrook and East of Exeter redevelopment and regeneration initiatives, in that the project has contributed to the creation of jobs, improvement of infrastructure, play parks for children and shops and local amenities. At an operational level there may be risks associated with a 'lack of staff resources' in a particular area; however this creates an opportunity for us to implement innovative HR solutions such as secondment and / or restructuring

4.4.6 Determine who will ultimately be responsible for the risk. This roll will involve monitoring the control actions and writing the reviews on the SPAR system. This person is called the responsible officer.

4.4.7 Enter the risk information into SPAR.net the corporate risk register database that records details and ownership of identified risks and their associated control actions. Refer to the SPAR Risk Guidance and/or the Management Information Officer for help with data entry.

**Note: Access to and training on the use of SPAR.net is available from the Management Information Officer**

#### 4.5 Step 4 - Review the residual risk

4.5.1 Responsible officers should review their risks (including updating the SPAR system) according to their unmitigated risk score. A guide to the recommended frequency of reviews can be seen below:

<b>Unmitigated Risk Score (pure status)</b>	<b>Review Interval</b>
16	Monthly
12	Quarterly
6-9	Twice a year
1-5	Twice a year

4.5.2 Operational risks should be monitored regularly as part of the performance management within all services. This includes assessing whether the control actions

are still adequate or need revising and or replacing. SPAR.net should be updated with any changes as soon as they arise.

**Note: All risks have the ability to increase in severity very quickly, so if the risk does look more likely to happen do not wait until the next review is due ... do something about it now.**

#### **4.6 Step 5 - Reporting risks**

4.6.1 All risks will be reported to the Audit and Governance Committee on a bi-annual basis. These reports will have been seen by SMT prior to each committee meeting.

4.6.2 The Management Information Officer will inform all responsible officers of the reporting deadlines and send reminders about updating the SPAR system.

4.6.3 A member of the Audit and Governance Committee will act as a risk representative on behalf of the Committee. This member will familiarise themselves with the risk register and meet with the Management Information Officer as required.

#### **4.7 Outcomes**

By following this policy our management of risks should be fully embedded into the culture of the organisation. It should be possible to identify, assess, review and report risks in a uniform and structured way.

This framework will help protect the council from liabilities which might prevent us from carrying out our day-to-day activities.

#### **4.8 Who is responsible for delivery?**

The following list describes what each group or person is responsible for:

##### Audit & Governance Committee

- To formally approve the Risk Management Policy and Guidance.
- To monitor our risks and keep under review our risk action plans.

##### SMT (The Chief Executive, Heads of Service and Corporate Managers)

- To ensure risk is managed effectively and in accordance with the Risk Management Policy and Guidance
- To report to the Audit and Governance Committee as necessary.

##### Section 151 Officer

- To develop the Risk Management Policy and Guidance.
- To organise appropriate training for members and employees.
- To support the council in the effective development and implementation of the risk management process including ensuring the process is embedded at all levels.
- To report to SMT bi-annually the risk register, insurance, audit issues and the governance action plan.

#### Heads of Service and Corporate Managers

- To identify and assess operational risks and ensure that they are entered onto the SPAR.net system.
- To manage, review and report on (or delegate the management, review and reporting of) risks effectively in their service areas.

#### Responsible Officers

- Enter new risks on the SPAR.net system if not entered by the Heads of Service or Corporate Managers including those identified by SWAP during service area audits.
- Monitor risks that they are responsible for i.e. ensure control actions are up-to-date.
- Work to deadlines for updating SPAR.net when risk reviews are required.

#### Member Risk Representative (from the Audit and Governance Committee)

- To liaise with Management Information Officer regarding the status of the risk register.
- To lead on risk management on behalf of the Audit & Governance Committee

#### Management Information Officer

- To liaise with Member Risk Representative and Section 151 Officer regarding the status of the Risk Register.
- To ensure responsible officers know the deadlines for updating SPAR.net.
- To send emails to responsible officers to remind them to update the SPAR.net system.
- Collate and produce bi-annual reports for SMT and the Audit and Governance Committee. Plus produce any other reports required.

#### Managers and other employees

- To manage risk effectively in their job and report risks to their Managers or Heads of Service.
- To comply with Risk Management Policy and Guidance.

#### SWAP

- To carry out audits of the Risk Register in order to keep everything on track.
- To review risk within specific Service Area Audits.

**5 Equality impact considerations** – the policy is high relevance to equality if it has a big impact on residents and users of the service

#### Low

The Risk Policy is low impact however the outcome of some of our risks could have a high impact on local residents. Therefore, equality should be considered when all risks are assessed and reviewed.

#### **6 Appendices and other relevant information**

[Click here to enter appendices and other information](#)

#### **7 Who authorised the policy/strategy and date of authorisation.**



Audit and Governance Committee date xxxxx

**8 Related Policies/Strategies, Procedures and Legislation**  
SPAR.net Risk Guidance Document

**9 Policy date for review and responsible officer**  
Simon Davey  
Date xxxxx

**Report to:** Audit and Governance Committee  
**Date of Meeting:** 25 September 2014  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 11

**Subject:** **Enhancement of Planning Policy Monitoring systems**

**Purpose of report:** This report, at the request of the Audit & Governance Committee meeting of 26 June 2014, updates Members on progress towards improvements to monitoring systems.

Since the June meeting of Audit & Governance Committee:

- officers have met to discuss introducing more proactive monitoring systems and requirements to make them work;
- a report has been drafted with Building Control and ICT to request improvements to the existing Uniform system to enable more automated monitoring, thereby freeing up officer time to proactively engage with the developers of larger sites to understand their delivery timescales and potential blocks to delivery; and
- discussions have been held to better understand the system of monitoring employed by Teignbridge District Council and what we might be able to do to follow a similar route.

**Recommendation:** **Progress to date in achieving the objectives set out by this committee should be noted.**

**Reason for recommendation:** Work is ongoing in meeting the objectives set out by this committee and so progress should be noted. However, in order to fully meet these objectives it is important to note that reactive monitoring (specifically collecting and processing information on what has/is happening) is a time consuming exercise which reduces overall staff time and resources to undertake more proactive tasks. Many Councils employ a specific planning policy monitoring officer (these include for example Teignbridge District Council) to enable more in-depth and proactive monitoring to take place.

Graeme Thompson, Planning Policy Officer, 01395 571736,  
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**Officer:** Matthew Dickins, Planning Policy Manager, 01395 571540  
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<b>Financial implications:</b>	The report suggests that a full time monitoring officer may be necessary, although this is not part of the recommendation, which would require additional financial resources.  Other financial implications are in the form of officer time.
<b>Legal implications:</b>	There are no legal implications arising from this report.
<b>Equalities impact:</b>	Low Impact  A low direct equalities impact is identified as the report is essentially concerned about processes rather than policy.
<b>Risk:</b>	Low Risk  A low direct risk impact is identified as the report is essentially concerned about processes rather than policy.
<b>Links to background information:</b>	No background papers are provided.
<b>Link to Council Plan:</b>	Funding this outstanding place.

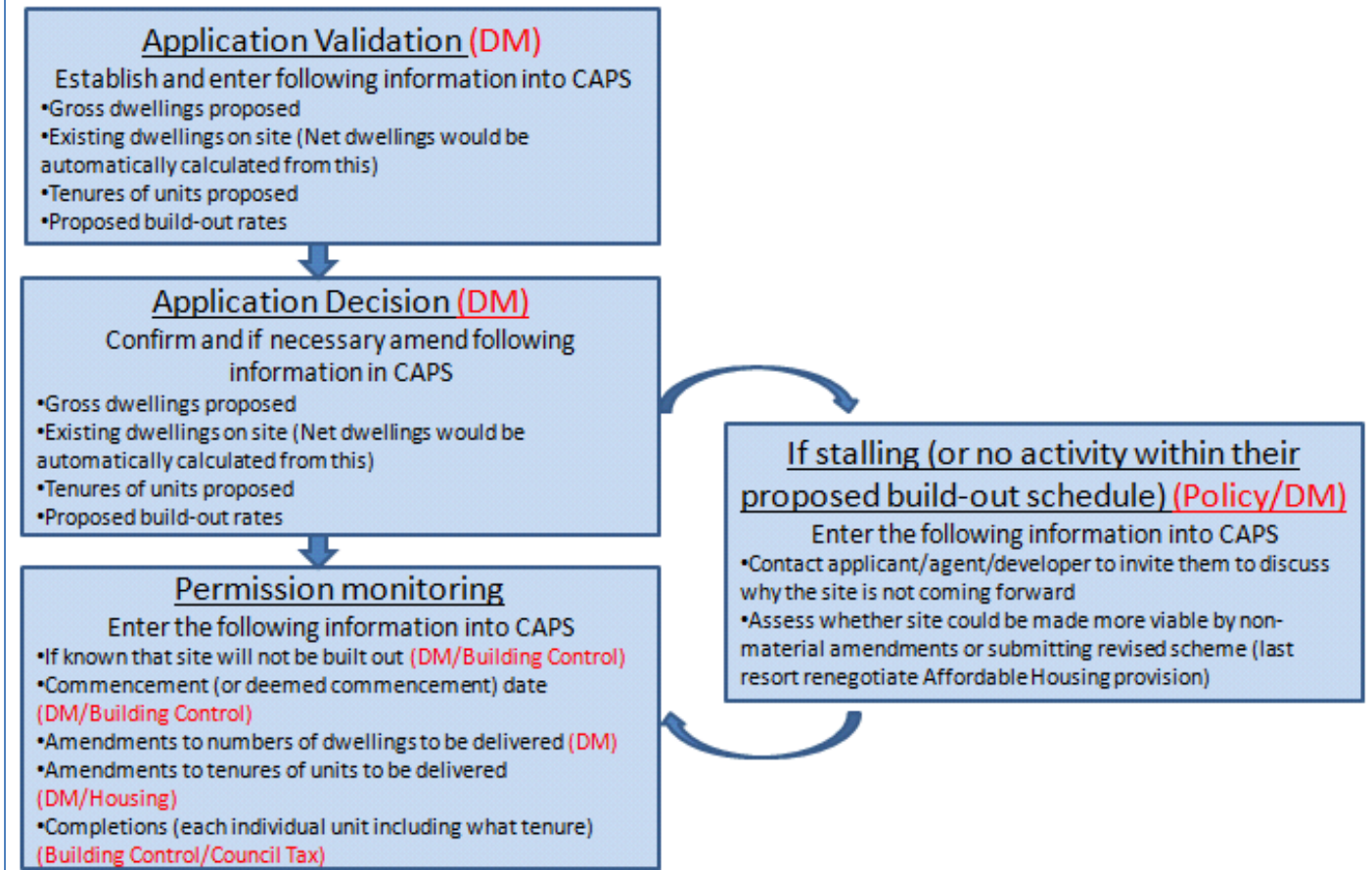
## **1 Previous Audit and Governance Committee Considerations**

- 1.1 Audit & Governance Committee has been looking at five year land supply considerations and monitoring systems for some time. On the 26 June 2014 Committee resolved:
1. that the current position on the Five Year Land Supply and the importance of ongoing initiatives be noted;
  2. that a more detailed, more robust and more proactive monitoring process for development be established;
  3. that the Deputy Chief Executive be encouraged speak to the Chief Executive and planning colleagues to help introduce/mirror the systems adopted by Teignbridge District Council in this Council;
  4. that the internal restructuring of the Senior Management Team should enable focus on how to encourage more proactive and less reactive systems.
- The issues raised above would be discussed by the meeting of the Audit & Governance Committee on 25 September 2014.
- 1.2 Since this meeting officers have been working towards achieving these objectives by examining how systems can be improved and adapted to become more efficient, specifically how existing ICT systems that are the favoured corporate choice could be adapted to suit our needs. Discussions have been held with officers at Teignbridge District Council about how their monitoring system works and the potential for working together in the light of proposed shared ICT services. Initial work has also been undertaken on establishing systems and understanding information requirements for formal engagement with the development industry in respect sites with permission but at which development has not started or at which it is running slowly or which are otherwise stalled.

## **2 How can current systems be adapted?**

- 2.1 A key output sought through improvement to systems is to establish a greater understanding and intelligence of the development industry and activity in East Devon and the factors that influence house building. Better engagement with house builders should see more permissions implemented more quickly. By the same token, however, such intelligence should also highlight and reveal exaggerated expectations of possible development levels.
- 2.2 Officers from Planning Policy and Development Management have worked with the Deputy Chief Executive Officer to establish means to improve monitoring systems, placing a greater onus on the use of information technology to improve the speed of work and free up officer time to be more proactive in terms of understanding blocks to delivery and means by which the Council can actively support and encourage timely high quality development. Through future work the intention is to be both reactive and proactive by reacting to the developments that have already stalled within the district to enable these to come forward wherever possible but also to look ahead to sites at the early stages of their consideration and then right through to on-site delivery to help anticipate and identify barriers to delivery and ensure that action is taken to prevent sites from becoming locked in future.
- 2.3 In terms of understanding baseline information it has been established that improving key data and information inputs during the planning application and building control processing stages could help considerably. In terms of ICT systems the diagram below/over summarises the favoured approach and indicates possible ways to link housing monitoring systems used for planning policy with Community Infrastructure Levy (CIL) work
- 2.4 Most of the data we use in monitoring is already held on the current Uniform ICT system and it is recorded when planning applications are logged and proceed through to decision making. However some information that is needed for monitoring purposes is not currently recorded in Uniform. There would be a staff time implication in recording information, but having the data on the system and being consistent and keeping it up to date as things change will make a big difference to the Council's ability to undertake monitoring. The actual staff time implications for inputting extra data into the system have not yet been calculated but they would need to be offset against time taken in capturing and recording data, needed for monitoring, on separate systems at later dates. Also it is, in principle, far more desirable to record, hold and manage data on a single ICT system rather than having data on separate systems that do not necessarily readily 'talk' to one-another and may not be shared by different services. Over and above the ongoing inputting of data there will need to be operational changes to the way Uniform works, and this will have ICT staff/time implications.

## Housing monitoring



- 2.5 In addition to monitoring housing completions it is important to note that we monitor a range of other things including employment delivery, infrastructure and open space. We will therefore look at scope to build in the ability to monitor these at the same time as considering adapting methods to enable better housing monitoring. Any adaptations to overall monitoring systems, if they are to be worth implementing, should generate more accurate, precise and speedier outputs and allow for more effective information sharing.

### **3 How can ICT systems be adapted?**

- 3.1 Corporately there is an objective to bring all ICT systems used by the various departments under one umbrella. The idea of this is to encourage joined-up thinking and sharing of records which will reduce costs, save time and lead to a better, more streamlined and customer focused service. The favoured system is Uniform which is a product developed by IDOX. However as it currently stands, Uniform is not configured to allow for monitoring work to be simply undertaken and work will be required to achieve this end. To be fully automated, as well as requiring officers to input more information when processing applications, it is important that Uniform allows links between different modules e.g. Building Control, Council Tax and Development Management. In the future it will also be important to link into any CIL system.

- 3.2 A report has been produced (and proposed to be taken to Senior Management Team (SMT) on the 30 September 2014) seeking approval for ICT staff to spend time to investigate potential for and to improve systems and to adapt Uniform to meet emerging needs.

#### **4 Learning from Teignbridge District Council monitoring systems**

4.1 At the previous Audit & Governance Committee meeting it was resolved that officers should look into the monitoring systems used by Teignbridge District Council and seek to mirror them where possible. Council officers have spoken with officers at Teignbridge District Council to better understand their processes and were kindly granted access to a test/lite version of the Access database they use for housing monitoring.

4.2 It is important to recognise two things –

- a) Teignbridge employ two part time planning policy monitoring officers (1 full time equivalent post); and
- b) they use an Access database for their monitoring rather than Uniform.

In looking at future shared ICT services it may be appropriate to consider whether East Devon could make use of the Teignbridge database or whether Teignbridge would be interested in working together to adapt Uniform which they also use.

4.3 In terms of key staff roles the Teignbridge monitoring officers:

1. Keep the database up to date;
2. Monitor weekly lists of decision notices and input relevant sites into the database;
3. Keep an eye on any non-material and permitted amendments to plots;
4. Visit major sites to ensure that the latest and most accurate position on site progress is recorded. To do this they use direct enquiries as well as “secret shopper” type visits. This can then help to better understand expected build out patterns. They also can get a feel for who is moving in to new developments. Other than through Cranbrook surveys this has not being something we currently monitor but it could provide useful information.
5. They also link not only Building Control records into their monitoring of completions but also Council Tax and Land Registry data. On large sites in particular this can be very useful because approved inspectors (rather than in-house Building Control departments) are often used and completions data is not always up to date.
6. Export data from the Access database into an Excel spreadsheet in order to calculate the five year land supply. Until now they have been providing 6 monthly updates (like us), however, going forward they intend to provide this information quarterly.

4.4 The overall monitoring and five year assessment process is evidently not as simple as pressing a button and getting an automatic answer on a live basis. To build a fully automated system could be difficult and costly. It is therefore likely that there will continue to need to be an element of human input to understand complex sites and also to extract and handle data.

## **5 Understanding Delays in Site Development**

- 5.1 By creating a more joined-up and automated system (although as explained above clearly there will still be a significant human element required in the process), if effective will free up officer time to be more proactive in understanding issues impacting on the delivery of sites. It should enable officers to be in regular contact with developers and their sites around the district so that it is possible to have a better understanding on how sites are progressing and their likely build-out schedules. It will also allow officers to work with the developers of sites to promote better development and help to resolve issues/blocks to development. This was a key issue that Members felt needed to be addressed at the previous Audit & Governance Committee meeting.
- 5.2 Resolving issues that are delaying development should improve the five year land supply position and having a greater understanding of individual sites should make our evidence behind five year land supply calculations more robust.

## **6 Site Delivery Fund Bid – Potential New Monitoring Post**

- 6.1 As can be seen from the above assessment there is a significant amount of work to do on a regular basis to achieve robust and consistent monitoring system. A number of Councils, including Teignbridge, have concluded that the most effective way to achieve this is by having a dedicated monitoring officer/s. Monitoring officer posts will typically monitor housing, as well as employment and commercial development, infrastructure, open space and other forms of development. Links may also be made through to S106/CIL work. Some possible contributions for a possible post might, at least in part, be drawn from S106/CIL receipts. At East Devon, and at the present time, monitoring is undertaken by officers in the policy team as part of their overall responsibilities. This work takes a considerable amount of time to complete. However improvements to ICT systems and more 'up-front' recording of data could offer some scope to free-up officer time for more proactive work.
- 6.2 In recognition of the desire to see greater levels of housing development and blocks on housing delivery addressed the Government has invited Councils to bid for grant funding. The Development Manger has submitted a bid which sets out that it is proposed to use the grant applied for to fund an additional post within the Council's Major Projects planning team. The post would be a Development Enabling and Monitoring Officer who would be tasked with acting as the Council's lead on development viability issues, liaising with developers to try and unlock development sites and monitoring developers' progress with the implementation of permissions when granted by keeping in regular contact with developers and working with them to identify and assist in removing obstacles to delivery. In so doing such a post/position could fulfil both a reactive and proactive role.
- 6.3 If successful a bid for funding for a Development Enabling and Monitoring Officer might address some general monitoring work areas and take some pressure of existing staff, including in the Policy team. Depending on the success or otherwise of this bid there maybe the potential need to reassess whether a dedicated planning policy monitoring post is also required.

## 7 Next steps

7.1 A plan of key actions is tabled below.

Key Action	Timescale and Notes	Lead
a) Progress the steps needed to produce a robust and manageable ICT monitoring system and the potential for linking work with Teignbridge District Council will continue to be explored;	Business case for ICT improvements has been submitted and if implemented it is envisaged new systems could be operating from 2015 onward. Early assessment indicates ICT systems, should in principle, be suited for adaption but further assessment is required and also demands on ICT time are significant and therefore new systems may not be prioritised.	Planning Policy will form the lead client for this work but work will be ICT lead and Development Management and other services will be involved.
b) Specific steps will be taken to enhance existing system for direct dialogue with developers of larger sites and recording of information;	Initial work has been undertaken on establishing systems. In late 2014/early 2015 formal protocol and systems will be established. We would not expect to hear back on the bid for Government support for post funding until later in 2014.	It is envisaged that Planning Policy and Development Management will work jointly on designing and implementing systems.
c) An update on the five year housing land supply position to 30 September 2014 will come before this Committee;	Assessment work will need to take into account both the current site supply situation and also the housing requirements output generated by the Strategic Housing Market Assessment. Updated figures should be available in October/November 2014.	Planning Policy.
d) A report will update on progress towards the above outlined aims.	The next Audit and Governance Committee is scheduled for 20 November 2014 an update report will be provided.	Planning Policy.

7.2 Updated information, specifically on five year Land supply assessment, will be essential for the Local Plan to progress. However prior to being able to reassess the five year land supply situation we need to establish an objectively assessed housing need figure for the District and therefore the Local Plan. The Strategic Housing Market Assessment (SHMA) will establish the appropriate level of house building. The SHMA is being produced by external consultants and we had expected a completed report by now. Delays in production have, however arisen, but the collective officers of the authorities that commissioned the work are working to promote speedy completion of the SHMA. The SHMA and any resulting changes recommended to the local plan, and any additional assessment work undertaken, will need to be presented to Council and on to the Local Plan inspector.



## Agenda Item: 13

### Audit and Governance Committee

25 September 2014



### Audit and Governance Committee

#### Forward Plan 2014/15

Date of Committee	Report	Lead Officer
13 November 2014	<ul style="list-style-type: none"><li>• Office relocation project update</li><li>• Audit Committee update</li><li>• Annual audit letter</li><li>• Risk management review</li> <li>• Thelma Hulbert Gallery update</li></ul>	Deputy CE SWAP SWAP Grant Thornton Grant Thornton Management Information Officer Management Information Officer
15 January 2015	<ul style="list-style-type: none"><li>• Internal Audit Activity – Quarter 3 2014/15</li><li>• Audit Committee update</li><li>• Certification Report</li><li>• Office relocation project update</li><li>• Risk management review</li></ul>	Grant Thornton Grant Thornton SWAP Management Information Officer
12 March 2015	<ul style="list-style-type: none"><li>• Annual Audit Plan 2015/16</li><li>• Audit Plan</li><li>• Audit Committee update</li><li>• Office relocation project update</li><li>• Risk management review</li></ul>	SWAP Grant Thornton Grant Thornton SWAP Management Information Officer