

Agenda for Audit and Governance Committee

Thursday 29 June 2017, 2.30pm

[Members of the Committee](#)

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

[View directions](#)

Contact: [Amanda Coombes](#), 01395 517543 (or group number 01395 517546): Issued 21 June 2017



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- 1 [Public speaking](#)
- 2 Minutes for 2 March 2017 (pages 3-6)
- 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 **Review of Internal Audit Charter–** SWAP (pages 7-12)
- 8 **Annual Report inc. Quarter 4 2016/17 and Quarter 1 2017/18 -** SWAP (pages 13-34)
- 9 **Internal Audit Plan – Review of 2016/17 -** SWAP (pages 35-53)
- 10 **Healthy Organisation report -** SWAP (pages 54-88)
- 11 **Revenue and Capital Outturn Report 2016/17-** Strategic Lead Finance (pages 89-98)
- 12 **Draft annual governance statement – year ended 31 March 2017**
Strategic Lead Finance – (pages 99-109)
- 13 **Audit Committee update –** KPMG (pages 110-123)
- 14 **Interim letter –** KPMG (page 124)
- 15 **Risk Management Review -** Management Information Officer (pages 125-126)
- 16 **S106 Payments Methodology update –** Service Lead Planning Strategy and Development Management (pages 127-132)
- 17 **Audit and Governance Forward Plan** (page 133)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Audit & Governance Committee held in the Council Chamber at Knowle, Sidmouth on 2 March 2017

Attendance list at end of document

The meeting started at 2.30pm and ended at 4.12pm

***46 Chairman's welcome**

The Chairman welcomed everyone to the meeting.

***47 Public Speaking**

There were no members of the public present.

***48 Minutes**

The minutes of the Audit and Governance Committee meeting held on 5 January 2017 were confirmed and signed as a true record.

***49 Declarations**

Councillor Steve Hall – Minute 51

Interest: Personal

Reason: Chairman of the Licensing Committee

- *50** Matters referred to the Audit and Governance Committee by the Overview and Scrutiny Committees held on 18 January 2017.

***51 Annual Audit Plan 2017/18**

As a key element of its governance arrangements, the Council had a partnership arrangement with South West Audit Partnership to deliver an annual internal audit plan. The Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team had produced an Audit Plan for 2017/18 that required the approval of the Audit and Governance Committee.

Discussions included the following:

- Concern of lack of Police cooperation to disputes on Licenced premises; especially not being logged and the effect this had on the Licensing Committee when premises came up for consideration or review.

RESOLVED:

That the Internal Audit Plan of 376 days for April 2017 to March 2018 be approved.

***52 a. Internal Audit Activity Plan Progress 2016/17 Quarter 3**

Moya Moore, Assistant director from SWAP presented the Internal Audit Plan. This report updated the position at the end of Quarter 3. It was noted that the 2017/18 Audit Plan included a full review (not just a follow up) of both business continuity and project management. A review of lone working arrangements, highlighted in the Health and Safety review was also proposed.

b. Achievement of Major Capital Projects Report

As part of the 2016-17 Audit Plan a review was undertaken to assess the adequacy of the controls and procedures in place for Achievement of Major Projects across East Devon District Council.

The Capital Programme included income and expenditure transactions for purchases and disposals of land or property, to build property, make improvements to existing properties and purchase large items of equipment. The Capital Programme was funded from capital receipts, Public Works Loans Board (PWLB) loans, government grants, partner contributions, the Capital Reserve and revenue contributions.

The annual Capital Programme was approved each year in February at Full Council which included an indicative programme for the following three years giving estimated spend and sources of funding.

The Capital budget for 2015/16 was £12.887m; the outturn position was a net spend of £10.510m, a variation of £2.377m. The majority of the underspend related to scheme slippage and a need to re-profile expenditure to later years.

Significant projects recorded on the Capital Programme include Seaton Jurassic Centre, as part of the Council's regeneration plans for Seaton, works on Mamhead Slipway in Exmouth, and the Feniton Flood Alleviation Scheme.

The Capital Strategy and Allocation Group were responsible for reviewing proposed Capital projects. As part of an agreed process, individual services were required to complete and submit a capital appraisal form (business case) in order to obtain Capital budget.

EDDC monitor the financial progress of the Capital Programme throughout the financial year which was reported to members for oversight, scrutiny and approval.

The Chairman thanked Moya for her report.

RESOLVED:

1. that the content of the Internal Audit Progress report and Achievement of Major Capital Projects report be noted, and
2. that the recommendations for action of Significant Corporate Risks be endorsed and agreed.

***53 External Audit Plan 2016/17**

Darren Gilbert from KPMG, presented the External Audit report which provided the Audit Committee with an overview on progress in delivering their responsibilities as the external auditors. The report supplemented their Audit Fee Letter 2016/17 presented in April 2016, which detailed their appointment by Public Sector Audit Appointments Ltd (PSAA). The audit had two key objectives:

1. Financial statements (including the Annual Governance Statement): Providing an opinion on EDDC accounts; and
2. Use of resources: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).

Audit planning and risk assessment was an on-going process; the assessment and fees in the Plan would be kept under review and updated if necessary.

The Chairman thanked Darren for the report.

RESOLVED:

that the content of the External Audit Plan be noted.

***54 Audit Committee update**

Members considered the report, which provided the Audit Committee with an overview on progress in delivering the responsibilities by the external auditors.

KMPG had completed the planning work for the 2016/17 audit, considering key issues at the Council and any relevant requirements as per the code. These discussions had formed the Audit Plan, which was presented at this Committee. KPMG were due to commence the interim audit visit on the week commencing 20 February, to test the control environment at the Council. The findings would be reported at the next Committee meeting.

RESOLVED:

that the progress be noted.

***55 Accounting Policies approval**

The Strategic Lead Finance presented the report, which considered best practice for the Audit and Governance Committee to approve the Accounting Policies for the preparation of the accounts to be adopted. The current policies were presented to Members for consideration. Members were informed of the accelerated timetable for completion of the annual statement of accounts.

Members commended Simon Davey and his team for undertaking this work earlier than expected.

RESOLVED:

that the Accounting Policies be approved and the accelerated timetable for the 2016/17 Statement of Accounts be noted.

56 Anti-Money Laundering Policy

The Strategic Lead Finance updated Members on the Proceeds of Crime Act (Anti-Money Laundering) Policy, which required approval. The object of the policy was to make all employees aware of their responsibilities and the consequences of non-compliance.

Legislation concerning money laundering (the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007) definition of money laundering covered a range of activities caught by the statutory framework. As a result, this impacted on areas of local authority business and required local authorities to establish internal procedures to prevent the use of their services for money laundering.

The legislative requirements concerning anti-money laundering procedures were extensive and complex. The policy had been written to enable the Council to meet the legal requirements in a way which was proportionate to the very low risk to the Council of contravening the legislation.

RECOMMENDED:

that the revised Proceeds of Crime Act (Anti-Money Laundering) Policy be approved.

***57 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2017/18.

Items to be considered at the June Committee included:

- Review of Internal Audit Charter
- Annual Report inc. Quarter 4
- Internal Audit Activity – Quarter 1 2016/17
- Revenue and Capital Outturn Report 2016/17
- Draft annual governance statement
- Audit Committee update
- Risk Management Review
- S106 Payments Methodology update

RESOLVED:

that the Forward Plan be noted.

Attendance list

Councillors:

Mark Williamson (Chairman)
Bill Nash
John Dyson
Steve Hall
John Humphreys

Also present (for some or all of the meeting)

Councillors:

Ian Thomas Portfolio Holder Finance
Roger Giles
Brian Bailey

Apologies:

Dean Barrow (Vice Chairman)
Steve Gazzard
Ben Ingham

Officers present:

Mark Williams, Chief Executive
Simon Davey, Strategic Lead – Finance
Amanda Coombes, Democratic Services Officer

Darren Gilbert, Director, KPMG
Moya Moore, Assistant Director, SWAP

Chairman Date.....

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 7

Subject: **Internal Audit Charter and Engagement Profile**

Purpose of report: The Internal Audit service for EDDC is provided by South West Audit Partnership Ltd (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The internal audit service, provided by South West Audit Partnership Ltd (SWAP), works to a charter that defines its roles and responsibilities and the roles and responsibilities of the District Council's managers. Best Practice in corporate governance requires that the charter be reviewed and approved annually by the Audit and Governance Committee. The Charter was last reviewed by the Audit Committee at their meeting on 30 June 2016. An Engagement Profile that outlines how we aim to improve the audit experience between EDDC and SWAP is detailed below

Recommendation: That the Audit and Governance Committee approves the Internal Audit Charter and Engagement Profile.

Reason for recommendation: To obtain endorsement from Members for the Internal Audit Charter and ensure that the Audit Committee is informed of the purpose of this Charter which is to set out the nature, role, responsibility, status and authority of internal auditing within East Devon District Council, and to outline the scope of internal audit work. In addition to inform members of the new Engagement Profile.

Officer: Moya Moore, Assistant Director, SWAP.
Moya.moore@southwestaudit.co.uk

Financial implications: As set out in the report.

Legal implications: There are no legal issues requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information: • Internal Audit Charter (see below)

Link to Council Plan: .

Internal Audit Charter

Purpose

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of internal auditing within East Devon District Council, and to outline the scope of internal audit work.

Approval

This Charter was last reviewed by the Audit Committee on 30 June 2016.

Provision of Internal Audit Services

The internal audit service is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled company. This charter should be read in conjunction with the Service Agreement, which forms part of the legal agreement between the SWAP partners.

The budget for the provision of the internal audit service is determined by the Council, in conjunction with the Members Meeting. The general financial provisions are laid down in the legal agreement, including the level of financial contribution by the Council, and may only be amended by unanimous agreement of the Members Meeting. The budget is based on an audit needs assessment that was carried out when determining the Council's level of contribution to SWAP. This is reviewed each year by the Section 151 Officer in consultation with the Chief Executive of SWAP.

Role of Internal Audit

The Accounts and Audit (England) Regulations 2015, state that: *"A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the public sector internal auditing standards or guidance."*

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Responsibilities of Management and of Internal Audit

Management¹

Management is responsible for determining the scope, except where specified by statute, of internal audit work and for deciding the action to be taken on the outcome of, or findings from, their work. Management is responsible for ensuring SWAP has:

- the support of management and the Council; and
- direct access and freedom to report to senior management, including the Chief Executive and the Audit Committee.

Management is responsible for maintaining internal controls, including proper accounting records and other management information suitable for running the Authority. Management is also responsible for the appropriate and effective management of risk.

² In this instance Management refers to the EDDC Management Team

Internal Audit

Internal audit is responsible for operating under the policies established by management in line with best practice.

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS); SWAP has been independently assessed and found to be in Conformance with the Standards.

Internal audit is not responsible for any of the activities which it audits. SWAP staff will not assume responsibility for the design, installation, operation or control of any procedures. SWAP staff who have previously worked for East Devon District Council will not be asked to review any aspects of their previous department's work until one year has passed since they left that area.

Relationship with the External Auditors/Other Regulatory Bodies

Internal Audit will co-ordinate its work with others wherever this is beneficial to the organisation.

Status of Internal Audit in the Organisation

The Chief Executive of SWAP is responsible to the SWAP Board of Directors and the Members Meeting. The Chief Executive of SWAP and the SWAP Director also report to the Section 151 Officer, and reports to the Audit Committee as set out below.

Appointment or removal of the Chief Executive of SWAP is the sole responsibility of the Members Meeting.

Scope and authority of Internal Audit work

There are no restrictions placed upon the scope of internal audit's work. SWAP staff engaged on internal audit work are entitled to receive and have access to whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of East Devon District Council.

Internal audit work will normally include, but is not restricted to:

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether East Devon District Council is in compliance;

- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy;
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay
 - the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
 - management understand that the work being undertaken is not internal audit work.

Planning and Reporting

SWAP will submit to the Audit Committee, for approval, an annual internal audit plan, setting out the recommended scope of their work in the period.

The annual plan will be developed with reference to the risks the organisation will be facing in the forthcoming year, whilst providing a balance of current and on-going risks, reviewed on a cyclical basis. The plan will be reviewed on a quarterly basis to ensure it remains adequately resourced, current and addresses new and emerging risks.

SWAP will carry out the work as agreed, report the outcome and findings, and will make recommendations on the action to be taken as a result to the appropriate manager and Director. SWAP will report at least four times a year to the Audit Committee. SWAP will also report a summary of their findings, including any persistent and outstanding issues, to the Audit Committee on a regular basis.

Internal audit reports will normally be by means of a brief presentation to the relevant manager accompanied by a detailed report in writing. The detailed report will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the summary report will have been sought. The detailed report will also be copied to the Section 151 Officer and to other relevant line management.

The Chief Executive of SWAP will submit an annual report to the Audit Committee providing an overall opinion of the status of risk and internal control within the council, based on the internal audit work conducted during the previous year.

In addition to the reporting lines outlined above, the Chief Executive of SWAP and the SWAP Director have the unreserved right to report directly to the Leader of the Council, the Chairman of the Audit Committee, the Council's Chief Executive or the External Audit Manager.

SWAP Engagement Protocol

Background

It is important that the audit experience is useful to our partner organisations, one where the outcomes are seen to add value, even if that value is to provide assurance that internal controls are working effectively.

The Annual Internal Audit Plan is developed to focus on the high or emerging risks and any anticipated challenges facing the Authority. Once the audit plans are approved by the Audit Committee SWAP needs to deliver the Audits throughout the year. Sufficient resource is available as long as no significant delays are seen. SWAP are limited in their ability to 'carry' additional resources to respond to delays or difficulties in progressing annual plans.

On occasions, audits are deferred at the last moment by Partner services or services are not ready for the audit, this is occurring too often and causing difficulty in our resource planning. Audits that are unnecessarily protracted or delayed can reduce the value added in that some of the findings may become out of date or irrelevant; the impetus to address control weakness may be lost.

To help address this matter we recommend the following process, outlining the roles and obligations of SWAP and those of the Partner Organisation.

Roles and Obligations

SWAP	Partner Organisation
Meet with key stakeholders to determine annual plan.	Agree areas for inclusion in plan and preferred quarters.
Prepare annual plan and ensure approved by Audit Committee.	Agree and approve annual plan.
If notified of a change to the plan schedule new review into the work programme.	If the partner organisation identified new risks notify SWAP and agree changes to the annual plan to include a new review.
One month before each quarter SWAP will write to all service managers subject to an audit in the quarter to set initial meeting dates.	Acknowledge audit and accept initial meeting request, if not possible and audit needs to be deferred the reason MUST be relayed to SWAP within one week.
If an audit can't be performed SWAP must agree a replacement audit with the client officer, any time already utilised will be deducted from the replacement audit. If a replacement cannot be found the audit time may be lost without replacement	The Client officer will agree an audit to bring forward along with the remaining days available for delivery.
Discuss the below during initial meetings:	Agree proposed programme. Ensure all data requirements are provided and any background evidential information in advance of fieldwork.

SWAP	Partner Organisation
Objective, Scope, Risks and Controls, Data Requirements, Staff availability, Timescales and close out meeting date.	
Prepare a Terms of Reference outlining objective and scope of review.	Terms of Reference to be signed as agreed and returned within one week
If scope is too wide for current budget but necessary discuss with client officer where the additional time will come from.	Client officer to approve additional time require and where this will come from.
Start fieldwork, ensuring any significant issued are raised and discussed at the time of finding.	Make all evidence and data requirements available in a timely manner.
Delays in receiving data or evidence to be escalated through a SWAP Assistant Director and if required through the client officer	Senior Managers/Client Officer will endeavour to ensure data and evidence is provided in a timely manner.
A discussion document will be sent out before the close out meeting to agreed contacts.	Will note discussion document and prepare for close out meeting.
The close out meeting will address any matters that need clarifying and obtain general agreement to audit opinion findings and recommended actions.	Will accept the audit opinion. Findings and recommended actions and/or highlight areas of disagreement for discussion and resolution.
If the close out meeting has to be cancelled by either party, they will provide as much notice of this and possible and be responsible for rescheduling an alternative date within two weeks of the original scheduled date.	
Issue a formal draft to agreed wider audience within one week of the close out meeting.	Respond to the draft report, completing action plan within two weeks of receipt of draft report.
Issue final report following receipt of draft with completed responses to agreed contacts. If draft response not received in two weeks this will be escalated to SWAP Assistant Director and partner client officer. If no response within four weeks final report to be issued with note saying actions to be agreed.	Take responsibility for the final report and implement agreed actions.

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 8

Subject: **Internal Audit Plan Progress Quarter 4 (2016/17) and Quarter 1 (2017/18)**

Purpose of report: The Audit and Governance Committee agreed the 2017-18 Internal Audit plan at its March 2017 meeting. This report is to provide an update on the 2016/17 Internal Audit Plan (Quarter 4) and to update with progress made on the 2017/18 Internal Audit Plan (Quarter 1).

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

Reason for recommendation: The Committee are required to review the progress of the audit plan.

Officer: Moya Moore, Assistant Director (SWAP)
moya.moore@southwestaudit.co.uk

Financial implications: There are no financial implications.

Legal implications: There are no legal issues requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

- Approved Internal

Link to Council Plan: .

East Devon District Council

Report of Internal Audit Activity

Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

Contents

The contacts at SWAP in connection with this report are:

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Chief Executive

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David Hill

Director of Planning

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david.hill@southwestaudit.co.uk

Moya Moore

Assistant Director

Tel: 01935 385906

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➡	Summary: Audit Opinion	Page 1
➡	Role of Internal Audit	Page 2
➡	Internal Audit Work Plan	Page 3
➡	Added Value	Page 5
➡	SWAP Performance	Page 6
➡	Approved Changes to the Audit Plan	Page 7
➡	Appendices:	
	Appendix A – Internal Audit Definitions	Page 8
	Appendix B – Internal Audit Work Plan 2016/17 and 2017/18	Page 10
	Appendix C – Significant Risks	Page 14
	Appendix D – Partial Opinions	Page 15

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Audit Opinion

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

A separate report has been presented to the Audit and Governance Committee to satisfy this requirement and Members are asked to note its content. The opinion provided in that report is Reasonable Assurance in respect of the areas reviewed during the year.

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

Our audit activity is split between:

- **Operational Audit**
- **School Themes**
- **Governance Audit**
- **Key Control Audit**
- **IT Audit**
- **Grants**
- **Other Reviews**



Role of Internal Audit

The Internal Audit service for the East Devon District Council is provided by South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS), and also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 30 June 2016 and again on 29 June 2017.

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
- Cross Cutting Governance Audits
- Annual Review of Key Financial System Controls
- IT Audits
- Grants
- Other Special or Unplanned Review

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

Outturn to Date:

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 2016/17 and 2017/18.

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 “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. In such cases, the Committee can take assurance that improvement actions have been agreed with management to address these. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions” as detailed on pages 8 and 9 of this document.

In the period the following audits have been completed from the 2016/17 Audit Plan:

- Creditors (Partial Assurance)
- Organisational Resourcing (Reasonable Assurance)
- Housing Rents (Reasonable Assurance)
- Housing Revenue Account Business Plan (Reasonable Assurance)
- Responsive Repairs (Reasonable Assurance)
- Procurement (Reasonable Assurance)
- Data Protection (Reasonable/ Partial Assurance)
- Healthy Organisation (High Assurance)
- Waste Management (Reasonable Assurance)

2017/18 Audit Plan

- Records Management (Quarter 1) – In Progress
- Sustainability (Quarter 1) – In Progress
- Safeguarding - Draft

To assist the Committee in its important monitoring and scrutiny role, in those cases where weaknesses have

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

been identified in service/function reviews that are considered to represent significant service risks, a summary of the key audit findings that have resulted in them receiving a 'Partial Assurance Opinion' have been summarised in Appendix D.

However, in circumstances where findings have been identified which are considered to represent significant corporate risks to the Council, due to their importance, these issues are separately summarised in Appendix C. These items will remain on this schedule for monitoring by the Committee until the necessary management action is taken and appropriate assurance has been provided that the risks have been mitigated / addressed.

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Primarily Internal Audit is an assurance function and will remain as such. However, Members requested that we provide them with examples of where we have “added value” to a particular service or function under review. In response to this we have changed our approach and internal processes and will now formally capture at the end of each audit where we have “added value”.

The SWAP definition of “added value” is “it refers to extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something "more" while adding little or nothing to its cost”.

As we complete our operational audit reviews and through our governance audit programmes across SWAP we seek to bring information and best practice to managers to help support their systems of risk management and control. Examples in Quarter 4/ Quarter 1 include the following:

- A comparison of land charges was completed and shared with SWAP Partners.
- A report was circulated which compared Housing Benefits processing performance across SWAP Partners.

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

The Assistant Auditor for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the year 2016/17 year is as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress	100% (2015/6 75% of plan completed at this stage with 25% Audit in Progress)
<u>Draft Reports</u> Issued within 5 working days	23% (Average Days of 18) (2015/16 88%)
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	25% (Average Days of 25) (2015/16 42%)
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	79% (2015/16 80%)

Internal Audit Plan Progress 2016/17 Quarter 4 and 2017/18 Quarter 1

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



Approved Changes to the Audit Plan

The following changes have been made to the audit plan in Quarter 4/ Quarter 1 to ensure internal audit resources are focused on the key risks faced by the Council. All changes are made in agreement or at the request of the Section 151 Officer:

- Electoral Registration – postponed due to May Elections

At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

Substantial	▲ ★ ★ ★	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.
Reasonable	▲ ★ ★ ★	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.
Partial	▲ ★ ★ ★	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.
None	▲ ★ ★ ★	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.

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



Audit Framework Definitions

- 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

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5=Major		↔	1 = Minor	
						Recommendation				
						5	4	3	2	1
2016/17										
Operational	Cash Spot Checks	1	Final	Reasonable	3	0	0	3	0	0
Operational	Relocation Project Consultancy	1	Complete	Advisory	0	0	0	0	0	0
Follow up	Asset register and Land Record Management	1	Final	Advisory	0	0	0	0	0	0
IT	Arrangements with STRATA	1	Removed	N/A	0	0	0	0	0	0
Operational	Responsive Repairs	1	Final	Reasonable	3	0	0	3	0	0
Operational	HRA Business Plan Review	1	Final	Reasonable	4	0	0	4	0	0
Governance	Achievement of Major Projects	1	Final	Partial	5	0	1	4	0	0
Governance	Local Plan Review	1	Removed	N/A	0	0	0	0	0	0
Operational	Recycling & Waste Contract Arrangements	1	Final	Reasonable	8	0	1	7	0	0
Governance	Partnership Working Around Greater Exeter	1	Removed	N/A	0	0	0	0	0	0
IT	New Housing System Implementation	2	Final	Reasonable	3	0	0	3	0	0
IT	Business Continuity (Service Review)	2	Final	Partial	9	0	3	6	0	0

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5=Major		↔	1 = Minor	
						Recommendation				
						5	4	3	2	1
Governance	Healthy Organisation - Corporate Governance, Financial Management, Risk Management, Performance Management, Commissioning & Procurement, Programme & Project Management, Information Management, People & Asset Management	2	Final	High Assurance	19					
Operational	Corporate Health & Safety	2	Final	Partial	14	0	4	10	0	0
Key Controls	Key Controls (Creditors)	3	Final	Partial	7	0	2	5	0	0
Key Controls	Housing Rents	3	Final	Reasonable	4	0	0	4	0	0
Governance	Procurement Review	3	Final	Reasonable	1	0	0	1	0	0
Follow Up	Creditors Follow up	3	Final	Advisory	0	0	0	0	0	0
Governance	Data Protection	4	Final	Reasonable/ Partial	0	0	0	0	0	0
Governance	Electoral Registration	4	Removed	N/A	0	0	0	0	0	0
Operational	Organisational Resourcing	4	Final	Reasonable	2	0	0	2	0	0

2017/18										
Advice	Relocation Project Consultancy 1718 - EDDC	1-4	Ongoing		0	0	0	0	0	0
Follow Up	Follow Up Contingency 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Follow Up	Achievement of Major Projects Follow Up 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Follow Up	Corporate Health & Safety Follow Up 1718 - EDDC	2	Not Started		0	0	0	0	0	0

Follow Up	Business Continuity Follow Up 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Follow Up	Housing Rents Follow Up 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Follow Up	New Housing System Implementation Follow Up 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Key Control	Key Controls Provision 1718 - EDDC	3	Not Started		0	0	0	0	0	0
Operational	Safeguarding 1718 - EDDC	1	In progress		0	0	0	0	0	0
Operational	Records Management 1718 - EDDC	1	In Progress		0	0	0	0	0	0
Operational	Sustainability 1718 - EDDC	1	In Progress		0	0	0	0	0	0
Operational	Lone Working 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	S106/CIL 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Habitat Mitigation 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Work Force Plan 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Fighting Fraud Locally 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Organised Crime Checklist 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Commercial Skills/Income Generation 1718 - EDDC	2	Not Started		0	0	0	0	0	0
Operational	Culture and Ethics 1718 - EDDC	3	Not Started		0	0	0	0	0	0
Healthy Organisation	Programme and Project Management 1718 - EDDC	3	Not Started		0	0	0	0	0	0
Operational	Honiton Business Centre 1718 - EDDC	3	Not Started		0	0	0	0	0	0
Healthy Organisation	Procurement Review 1718 - EDDC	3	Not Started		0	0	0	0	0	0

ICT	Business Continuity Key Service Test 1718 - EDDC	3	Not Started		0	0	0	0	0	0
Operational	Fleet Management 1718 - EDDC	4	Not Started		0	0	0	0	0	0
Operational	Discretionary Spend 1718 - EDDC	4	Not Started		0	0	0	0	0	0
Operational	Licensing 1718 - EDDC	4	Not Started		0	0	0	0	0	0
ICT	Disaster Recovery 1718 - EDDC	4	Not Started		0	0	0	0	0	0

Schedule of potential significant risks identified from Internal Audit work in the period Quarter 4

Name of Audit	Weaknesses Found	Risk Identified	Recommendation Action	Managers Agreed Action	Agreed Date of Action	Manager's Update (Date)
Creditors	E-Procurement has not been fully implemented – see Appendix D for more details					
Data Protection	Although the council is largely compliant with current Data Protection legislation, some work remains to be done in preparation for the introduction of GDPR due to come in on 28 May 2018 (General Data Protection Regulations) – see Appendix D for details.					

Summary of key points related to 'Partial Assurance' reviews (priority 4 and above)

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
Creditors	<p>At the time of the audit the E-Procurement system not yet been fully implemented although we were advised that this would be completed by April 2016. We have been since advised that EDDC will no longer be accepting paper orders from April 2017 but at the time of the review this had not been agreed.</p> <p>During audit testing we noted opportunities for circumvention of existing controls in the paper based procurement process, whichg could be easily resolved through full implementation of the electronic procurement system. Until this takes place (or manual controls are enforced more rigorously), there is a risk that the council pays for goods or services that are unauthorised.</p>	The Income and Payments Team Leader has agreed to set a date by which E-Procurement will be implemented in full. At this point, manual (paper-based) submissions of invoice payment requests should be refused; except in very limited cases, ensuring that the majority of invoice payments are processed through the E-Procurement system. In the meantime, manual controls around the paper based procurement system should be enforced.	May 2017	Qtr 2
Creditors	<p>Some recommendations raised in the 2015/16 audit have not yet been addressed and the timescales for their action have passed.</p> <p>There is a risk that purchases of unauthorised goods or services are being made if the finance team are not fully aware of who is approving them.</p>	The Financial Services Manager agreed last year to conduct a full review of the authorised signatory list, to ensure that all officers with the power to authorise payments are included on it with the appropriate monetary levels. The signatory list should be reviewed on a regular basis and be version controlled. Payments should not be processed unless the authorising officer is on the Authorised Signatory List. The Authorised Signatory List should	Complete	Qtr 2

Summary of Partial Opinions

APPENDIX D

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
		be compared (and agreed) to the limits set within the E procurement System.		
Creditors	<p>The Authorised Signatory List does not reflect the list of officers available to authorise payments through the E-Procurement system.</p> <p>There is a risk that purchases of unauthorised goods or services are being made if the finance team are not fully aware of who is approving them.</p>	The Financial Services Manager has agreed to review the authorisers on the e-procurement system and align them with the Authorised Signatory List.	July 2017	Qtr 2
Data Protection	Under the GDPR, organisations are required to have a fully comprehensive information asset register which records what information is collected, held, in what format, for what purpose, or who the information asset owner is. A recommendation on this was made as part of the Protective Marking Audit (May 2016) and an implementation date agreed as Nov 2016. This date has now been exceeded.	The Senior Information Risk Officer (SIRO), in conjunction with senior management, has agreed to ensure that an Information Asset Register for the Council be developed to ensure that data and information held is recorded and subject to regular monitoring and update.	Sept 2017	
Data Protection	Reporting to members on Data protection could be improved.	The Strategic Lead, Governance & Licensing It is agreed that Members ought to have awareness / oversight of the Council's data protection responsibilities. This will be particularly so under the GDPR which moves to a self-regulation position. Given the timing of this specific audit and the overall finding of 'reasonable assurance' in respect of the DPA requirements, it is felt that it will be most	First report in May 2019	

Summary of Partial Opinions

APPENDIX D

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
		effective if introduced alongside the changes required by the GDPR. The assessments and reporting to Members therefore becomes a requirement for end of 2018/19 year.		
Data Protection	<p>The GDPR will require privacy impact assessments to be integral /embedded practice across an organisation where personal data is handled. Audit Testing found that this was not consistently in place across the Council.</p> <p>In the absence of a privacy impact assessment being carried out, the Council may fail to identify all areas of weakness / exposure to risk around the handling of personal data, resulting in a undetected data breach.</p>	The Senior Information Risk Officer (SIRO), has agreed to ensure that the requirement to undertake privacy impact assessments be included in the project management framework currently being drafted by the Section 151 Officer. This will ensure that this becomes embedded in the Council's frameworks.	August 2017	
Data Protection	The Council has not formally appointed a designated Data Protection Officer at a level of seniority required under the GDPR.	The Strategic Lead (Governance and Licensing) has been appointed as the Data Protection Officer	Actioned	
Data Protection	Guidance available to support the implementation of GDPR should be implemented by SMT.	The Strategic Lead, Governance & Licensing has agreed, along with and other members of the Senior Leadership Team to establish a timetable for implementation of the form changes across all departments, ensuring that they are fully compliant with GDPR by May 2018.	April 2018	
Data Protection	The Council does not hold a central repository for contracts. Service managers retain the only copies of contracts in their departments' areas.	The following course of action has been agreed with the Strategic Lead, Governance & Licensing:	August 2017	

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
	<p>The Council is at risk of permanent loss of contracts and may be unable to mount a successful challenge against the contractor in the event of disputes arising. In relation to data processing, the Authority may be unable to demonstrate it has taken reasonable steps to ensure data processors operate in accordance with the DPA.</p>	<p>In terms of contract management, there is a register held for higher value contracts, effectively this is ProContract (eProcurement) but there is no single register for all the Council's contracts. Contracts over £30k have been recorded on this in line with Government requirements, however in the absence of a Procurement Officer there is a risk that all records may not have been updated. New procedures are being brought in through revised Contract Standing Orders to be recommended to the A&G committee in June with the requirement to use the electronic procurement portal (ProContract) for all contracts above £10,000 which will then keep the register up to date automatically. For all contracts which are completed under seal, they are held in our fire proof deed room. The Legal Department will have copies of contracts that are under seal and / or which they have advised on, in their electronic document storage system. Departments will also hold copies of the contracts relevant to them. It is not generally going to be feasible for all low value contracts to be stored – many are on standards terms and conditions. It is considered that the value / risk approach as identified above is acceptable.</p>		
Data Protection	<p>To create a central contract repository will assist senior management in identifying all contracts held where personal data needs to be shared as part of the service provision, as all contracts will need to be revisited to ensure that they comply</p>	<p>The Strategic Lead (Governance and Licensing has agreed that from a data protection point of view, it is critical that the Council is aware of contracts which may involve data sharing and ensure that appropriate safeguards are in place. This will be</p>	April 2018	

Summary of Partial Opinions

APPENDIX D

Audit Tittle	Significant Audit Findings	Key Actions Agreed by Service	Dates of Agreed Implementation	Date of programmed follow up
	with the increased “data processor” responsibilities under the GDPR.	picked up as part of the timetabled implementation action plan (mentioned above).		
Data Protection	Whilst a partnership arrangement for Devon Home Choice has been drawn up between all the partners as well as information sharing protocols in place, it was not clear from reviewing the agreement who ultimately owns the data, and who therefore would be responsible for the data, its security, and accountable in the event of a data breach.	The Strategic Lead (Governance and Licensing has agreed that this will be implemented as part of the timetabled implementation plan mentioned above.	April 2018	

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 9

Subject: **Internal Audit Plan – Review of 2016/17**

Purpose of report:

This report provides the outturn position for the Internal Audit Plan at the end of 2016/17 and also provides Internal Audits overall opinion on the systems of internal control at East Devon District Council.

The Audit and Governance Committee agreed the 2016/17 Internal Audit Plan at its March 2016 meeting. An update was provided for Quarters 1 and 2 in September 2016 and Quarter 3 in January 2017. This report is the final outturn position at the end of Quarter 4.

Recommendation:

To note the content of the Internal Audit Annual Report and Opinion.

Reason for recommendation:

This report summarises the work of the Internal Audit Services for 2016/17 and provides:

- i. An overall positive assurance opinion on the Council's framework of risk management, governance and internal control based upon the internal audit work undertaken during the year.
- ii. A Summary report from the South West Audit Partnership (SWAP) and list of audit assignments undertaken by them during 2016/17 including the respective assurance ratings, ranking of any recommendations made and details partial opinions during the last quarter.
- iii. Evidence in support of the "review of the effectiveness of internal audit" (Section 3), as required by the Accounts and Audit (England) Regulations 2015.

Officer:

Moya Moore, Assistant Director, SWAP
moya.moore@southwestaudit.co.uk

Financial implications:

There are direct financial implications detailed in this report.

Legal implications:

The legal framework is reflected in the reports and there are no issues arising which require legal comment.

Equalities impact:

Low Impact

Risk:

Low Risk

Links to background information:

- [Approved Internal Audit Plan 2016/17 – Audit and Governance Meeting March 2016.](#)

Link to Council Plan: .

East Devon District Council

Report of Internal Audit Activity

Annual Opinion Report 2016/17

Contents

The contacts at SWAP in connection with this report are:

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Summary:

Purpose & Background

Page 1

Annual Opinion

Page 3



Summary of Audit Work:

Internal Audit Work Programme

Page 4

Significant Corporate Risks

Page 5

Summary of Audit work

Page 6

Priority Actions

Page 7



Plan Performance:

Added Value

Page 8

SWAP Performance

Page 10



Appendices:

Appendix A – Audit Framework Definitions

Page 12

Appendix B – Summary of Work Plan

Page 14

Appendix C - Summary of SWAP External Quality Assessment

Page 16

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Purpose

The Accounts and Audit Regulations (England) 2015 requires public authorities to publish an Annual Governance Statement (AGS). The Statement is an annual review of the Systems of Internal Control and gathers assurance from various sources to support it. One such source is Internal Audit. The Head of Internal Audit should provide a written annual report to those charged with governance to support the AGS. This report should include the following:

- An opinion on the overall adequacy and effectiveness of the organisation's risk management systems and internal control environment
- Disclose any qualifications to that opinion, together with the reasons for the qualification
- Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- Compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

The purpose of this report is to satisfy this requirement and Members are asked to note its content.

Summary

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Background

The Internal Audit service for East Devon District Council is provided by the South West Audit Partnership Limited (SWAP). SWAP is a Local Authority controlled Company. SWAP has adopted and works to the Standards of the Institute of Internal Auditors, further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS). The Partnership is also guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness through the work based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the 2016/17 year.

Summary of Audit Work 2016/17

The Assistant Director is required to provide an opinion to support the Annual Governance Statement.



Annual Opinion

Over the year SWAP have found Senior Management of East Devon District Council to be supportive of SWAP findings and responsive to the recommendations made. In addition, there is a good relationship with Management whereby they feel they can approach SWAP openly in areas where they perceive potential problems as well as welcome the opportunity to take on board recommendations for improvement. The follow up work confirms the responsive nature of management at East Devon District Council in implementing agreed recommendations to mitigate exposure to areas of significant risk.

The increase in the number of partial assurance audits, is an indicator of the engagement of management with internal audit to devise a plan that identifies risk and targets our reviews in the areas that most need improvement. Audit this year have been fewer in number but on a larger scale, enabling the complexity of processes and systems to be more rigorously reviewed. Where priority findings have been identified, these have been appropriately addressed, confirming the responsive nature of management. Any outstanding weaknesses in the governance, risk and control framework will continue to be followed up by Internal Audit.

I have considered the balance of 2016/17 audit work and outcomes against this environment, and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives. Whilst I have certain concerns regarding some aspects of the control environment, I do not consider there to be any areas of significant corporate concern.

Summary

Our audit activity is split between:

- Operational Audits
- Key Control Audits
- Governance, Fraud & Corruption Audits
- IT Audits
- Special Reviews
- Follow-up



Internal Audit Work Programme

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2016/17 and the final outturn for the financial year. 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. In total, 21 audits were originally planned:

• Operational Audits	13
• Healthy Organisation (to be incorporated in one report)	1
• IT	3
• Key Control	2
• Follow-up	2
• Certification	0

A total of 17 have been delivered, with 8 Healthy Organisation themes covered in one report.

It should be noted that 4 audits were removed from the plan in the year as they were no longer required at this time:

- Elections – deferred at the request of the client due to snap election - to be considered as part of the 2017/18 audit plan
- Arrangements with STRATA – removed at the request of the client as assurance gained from alternative provider.
- Local plan Review – removed at the request of the client
- Partnership Working Around Great Exeter – removed at the request of the client

Where appropriate, and in consultation with the S151 Officer, the available days were transferred to other audits and their scope extended. In some cases, owing to cancellation by the Council at short notice, the days were lost without replacement.

Summary of Audit Work 2016/17

Significant Corporate Risks

Identified Significant Corporate Risks should be brought to the attention of the Audit Committee.



Significant Corporate Risks

Appendix A sets out the definition of the 4 Risk Levels applied to any corporate Risks we identify.

Three significant risks have been identified through audit testing in the year and have been reported to the Audit and Governance Committee through the quarterly update reports over the course of the year. These related to the following audits:

- Achievement of Major Projects
- Creditors
- Data Protection.

Audit work is scheduled (and in the case of the Achievement of Major Projects audit have already begun) in respect of these areas.

Summary of Audit Work 2016/17

SWAP Performance - Summary of Audit Opinions

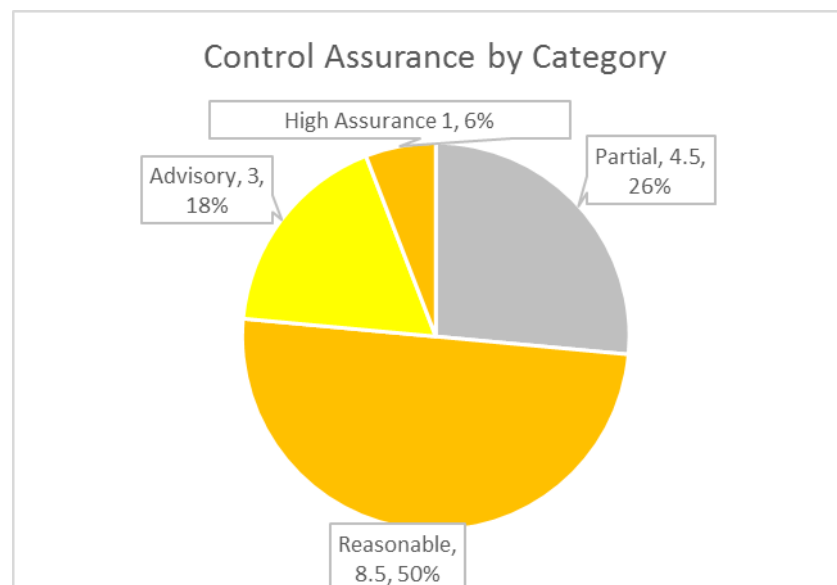
At the conclusion of audit assignment work each review is awarded a "Control Assurance Definition";

- Substantial
- Reasonable
- Partial
- None



Summary of Audit Opinion

At the time of writing all reports have been finalised. The following diagram includes information for all audits. For comparison, in 2015/16 there was one Partial Assurance Audit, 9 Reasonable Assurance Audits and 4 Substantial Assurance Audits.



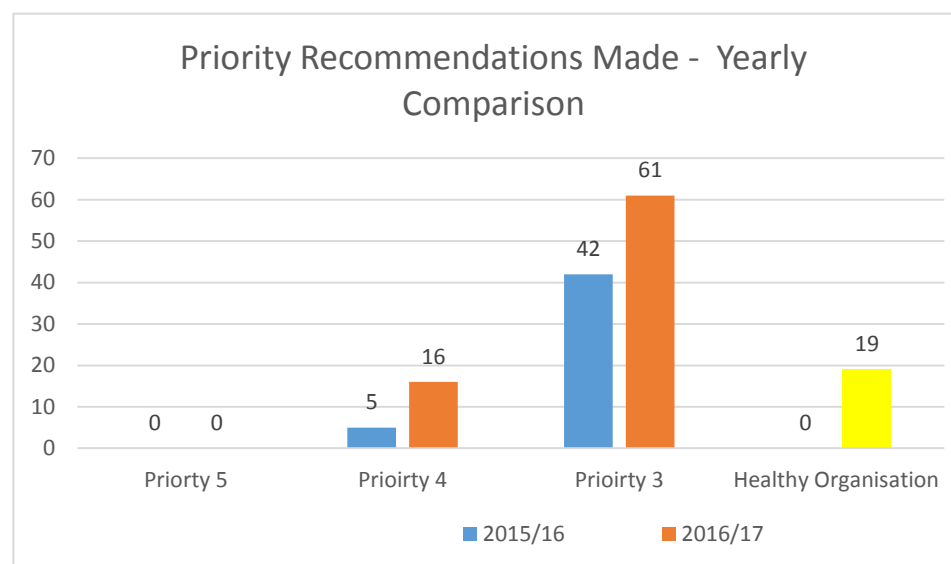
Summary of Audit Work 2016/17

SWAP Performance - Summary of Audit Recommendations by Priority

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



Priority Actions



Added Value

Extra feature(s) of an item of interest (product, service, person etc.) that go beyond the standard expectations and provide something more while adding little or nothing to its cost.



Added Value

Throughout the year, SWAP has strived to add value wherever possible i.e. going beyond the standard expectations and providing something 'more' while adding little or nothing to the cost. This has included the communication and circulation of industry bulletins (such as Corporate Plan for Public Sector Audit Appointments 2015-18) and fraud prevention alerts wherever possible. We will also share the outcomes of any benchmarking undertaken across our SWAP Partner base. SWAP also aim to share the results of emerging areas of risk, or the findings from relevant audit reviews undertaken at our Partners, to enable the sharing of best practice and comparison of common findings.

For example, we have recently collated and shared:

- We have shared a report on comparisons in the different methodologies used for setting fees and charges across SWAP Partners.
- A review of Audit Committee work plans has been shared across SWAP Partners.
- SWAP Partners provided examples of Equality Impact Assessments which was disseminated.
- A comparison of land charges was completed and shared with SWAP Partners.
- A report was circulated which compared Housing Benefits processing performance across SWAP Partners.
- A report comparing the approach to Equality Impact Assessments of 12 partners was shared.
- A report from the Metropolitan Police providing information related to cyber scams has been circulated following comments over usefulness from other Partners.
- An assurance mapping document detailing sources of assurance to the Section 151 Officer and Audit and Governance Committee has been developed and shared.
- A SWAP report detailing Income Generation benchmarking and best practice has been circulated.
- Benchmarking has been completed for inclusion within the Final reports for Business Continuity and Corporate Health and Safety, Grants Awarded Audit, Use of Consultants Audit and Street Scene Asset Controls Audit.
- Examples of workforce plans from SWAP Partners have been provided to assist EDDC with the planned update in advance of office relocation.



Added Value continued

- We shared a copy of the Institute of Internal Auditors publication called “What every Director Should Know – How to get the best from Internal Audit”.
- SWAP, in collaboration with Devon Audit Partnership (DAP) and Grant Thornton, provided a free training session to Members in October 2016 covering topical governance issues and challenges facing the public sector.

Further, throughout the course of the year, the following value was added through the following:

- Attendance at Relocation officer working group meetings and risk workshops.
- Providing specialist advice within related to the information asset register.
- Comment on newly developed policies and guidance, such as the people strategy and procurement guidelines.

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

SWAP now provides the Internal Audit service for 24 public sector bodies. SWAP performance is subject to regular monitoring review by both the Board and the Member Meetings. The respective outturn performance results for East Devon District Council for the year 2016/17 are as follows;

Performance Target	Average Performance
<u>Audit Plan – Percentage Progress</u> Final, Draft and Discussion In progress	100% (2015/6 75% of plan completed at this stage with 25% Audit in Progress)
<u>Draft Reports</u> Issued within 5 working days	23% (Average Days of 18) (2015/16 88%)
<u>Final Reports</u> Issued within 10 working days of discussion of draft report	25% (Average Days of 25) (2015/16 42%)
<u>Quality of Audit Work</u> Customer Satisfaction Questionnaire	79% (2015/16 80%)

The Assistant Director for SWAP reports performance on a regular basis to the SWAP Management and Partnership Boards.



SWAP Performance

Internal audit is responsible for conducting its work in accordance with the Code of Ethics and Standards for the Professional Practice of Internal Auditing as set by the Institute of Internal Auditors and further guided by interpretation provided by the Public Sector Internal Audit Standards (PSIAS).

SWAP has been independently assessed and found to be in Conformance with the Standards.

An extract from the recent review confirming this has been included at Appendix C for information.

At the conclusion of audit assignment work each review is awarded a “Control Assurance Definition”;

- Substantial
- Reasonable
- Partial
- None



Audit Framework Definitions

Control Assurance Definitions

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

Definitions of Risk

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

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5=Major			1 = Minor	
						Recommendation				
						5	4	3	2	1
2016/17										
Operational	Cash Spot Checks	1	Final	Reasonable	3	0	0	3	0	0
Operational	Relocation Project Consultancy	1	Complete	Advisory	0	0	0	0	0	0
Follow up	Asset register and Land Record Management	1	Final	Advisory	0	0	0	0	0	0
IT	Arrangements with STRATA	1	Removed	N/A	0	0	0	0	0	0
Operational	Responsive Repairs	1	Draft	Reasonable	3	0	0	3	0	0
Operational	HRA Business Plan Review	1	Final	Reasonable	4	0	0	4	0	0
Operational	Achievement of Major Projects	1	Final	Partial	5	0	1	4	0	0
Operational	Local Plan Review	1	Removed	N/A	0	0	0	0	0	0
Operational	Recycling & Waste Contract Arrangements	1	Final	Reasonable	7	0	0	7	0	0
Operational	Partnership Working Around Greater Exeter	1	Removed	N/A	0	0	0	0	0	0
IT	New Housing System Implementation	2	Final	Reasonable	3	0	0	3	0	0
IT	Business Continuity (Service Review)	2	Final	Partial	9	0	3	6	0	0
Operational	Healthy Organisation - Corporate Governance, Financial Management, Risk Management, Performance Management, Commissioning & Procurement, Programme & Project Management, Information Management, People & Asset Management	2	Final	High Assurance	19					

Audit Type	Audit Area	Quarter	Status	Opinion	No of Rec	5=Major			1 = Minor	
						Recommendation				
						5	4	3	2	1
Operational	Corporate Health & Safety	2	Final	Partial	14	0	4	10	0	0
Key Controls	Key Controls (Creditors)	3	Final	Partial	7	0	2	5	0	0
Key Controls	Housing Rents	3	Final	Reasonable	4	0	0	4	0	0
Operational	Procurement Review	3	Final	Reasonable	1	0	0	1	0	0
Follow Up	Creditors Follow up	3	Final	Advisory	0	0	0	0	0	0
Operational	Data Protection	4	Final	Reasonable/ Partial	15	0	7	8	0	0
Operational	Electoral Registration	4	Removed	N/A	0	0	0	0	0	0
Operational	Organisational Resourcing	4	Final	Reasonable	2	0	0	2	0	0

The below is the key summary from the recent External Quality Assessment of SWAP Internal Audit Activity, carried out by the Devon Audit Partnership:

As requested by Gerry Cox, Chief Executive of SWAP, Devon Audit Partnership conducted an external quality assessment of the internal audit activity of the South West Audit Partnership (SWAP). The principal objectives of the quality assessment were to assess the internal audit activity's conformance to The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards), evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter to its partners), and identify opportunities to enhance its management and work processes.

It is our overall opinion that the internal audit activity generally conforms with the Standards and Code of Ethics. For a detailed list of conformance with individual Standards, please see Attachment A. We have identified some opportunities for further improvement, details of which are provided in this report, but none of these issues represent a failure to meet with the Standards.

The IIA's Quality Assessment Manual suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

SWAP is a well-established provider of professional internal audit services to a number of public sector organisations. The internal audit activity meets the Standards and SWAP management regularly look to ways to improve the service they provide (e.g. by developing the "healthy organisation" approach) and add value to all of their partners and clients. A well-developed Quality Assurance Improvement Plan is in place that captures areas for development and provides a good record of progress against targets. Consequently, our comments and recommendations are intended to build on an already efficient and effective internal audit provider.

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release: None



Agenda item: 10

Subject: **Healthy Organisation Report 2016/17**

Purpose of report:

The Healthy Organisation Review looks at 8 key corporate areas and maps areas of good practice against areas for improvement. EDDC has overall High Assurance, with only 3 areas obtaining Medium Assurance, the other 5 obtaining High Assurance. Compared to outcomes elsewhere who have had the same review, this is a very positive result.

Healthy Organisation Summary

We have completed six Healthy Organisation reviews across the Partnership and a summary of the results is shown below:

Type of Authority	Overall	Corporate Governance	Financial Management	Risk Management	Performance Management	Commissioning & Procurement	Programme & Project Management	Information Management	People & Asset Management
East Devon District Council	High Assurance								
District Council 2	Medium Assurance								
District Council 3	Medium Assurance								
Unitary Council	Medium Assurance								
County Council 1	Medium Assurance								
County Council 2	Medium Assurance								

Areas for improvement have been incorporated into the 2017/18 Internal Audit Plan.
To note the content of the Healthy Organisation Report.

Recommendation

Reason for recommendation

The Healthy Organisation Review provides overview of the level of assurance we can provide over the 8 corporate areas. It is the intention to update this document periodically so that it can be used to inform the Internal Audit Plan as the process highlights areas of duplication of assurance or gaps, where audit work is required.

Officer:	Moya Moore, Assistant Director, SWAP. Moya.moore@southwestaudit.co.uk
Financial implications:	There are no direct financial implications
Legal implications:	There are no direct legal implications requiring comment.
Equalities impact:	Low Impact
Risk:	Low Risk
Links to background information:	<ul style="list-style-type: none">• Approved Internal Audit Plan 2016/17 – Audit and Governance Meeting March 2016.
Link to Council Plan:	.

Final Report



SWAP

SOUTH WEST AUDIT PARTNERSHIP

Delivering Audit Excellence

East Devon District Council Combined Assurance- Healthy Organisation

Working in partnership with



Date of Report: 22 May 2017

Issued by: Moya Moore
Assistant Director
Georgina Teale
Senior Auditor
Kristian Hawkes
Lead Auditor

Introduction

The purpose of combined assurance is to provide an insight to Senior Management and the Audit Committee on assurance across all critical activities and key risks of the Council, and identify areas that we believe assurance or process could be improved. Working closely with Management and using the Healthy Organisation eight Key Lines of Enquiry (or themes), we have looked for gaps in assurance to help us identify potential areas for improvement. This undertaking has involved gathering and analysing assurance information within the Council's control environment that:

- takes what we have been told on trust, and
- encourages accountability with those responsible for managing their Services (see Figure 1 below).

The outcome is presented as a series of joint reports culminating in an agreed improvement plan which may result in further internal audit work or action taken by management itself.

Figure 1

The Institute of Internal Audit issued a report entitled “the three lines of defence in effective risk management and control”. This provides a helpful model for clarifying response at both an operational and strategic level:



Within this model, management control is seen as the first line of defence, the various risk control and compliance over-sight functions established by management act as the second line of defence (for instance, risk registers), whilst the third is provided by independent

assurance. Senior management and elected members sit above the model, with a key role and accountability for setting organisational objectives and defining strategies, and at the same time providing active scrutiny and challenge to achieve assurance.

Background

East Devon District Council (EDDC), like all local authorities, will continue to face financial pressures; with funding from central government reducing and the demands for their Services increasing.

EDDC's challenge is no longer just about 'doing more for less' but is instead about rethinking our purpose, design and delivery of Services in new and innovative ways.

Recently, the Council's role has risen from being a direct Service provider to being an 'enabler'. There has been an increased focus on new technologies, which enable it to be more accessible and better linked with our constituents; as well as supporting more innovative ways for Services to be delivered.

These themes are also reflected in their Transformation Strategy, which works together with the Council Plan to guide our activities. The Transformation Strategy highlights how the Council will improve, by working with communities and private, public and voluntary sector partners.

Through delivery of the actions in the Transformation Strategy and ongoing, careful management of the budget, the Council aims to achieve the reduction in government grants and funding. Due to these reductions, £2.6m savings are required over the next four years; whilst we continue to deliver against the priorities in this plan.

In the lifetime of the current Council Plan, EDDC will relocate. Throughout the process of relocation, any opportunity to improve the delivery of Services will be captured; so that customers can continue to access the Services how and when they want them.

Executive Summary

Assurance Themes

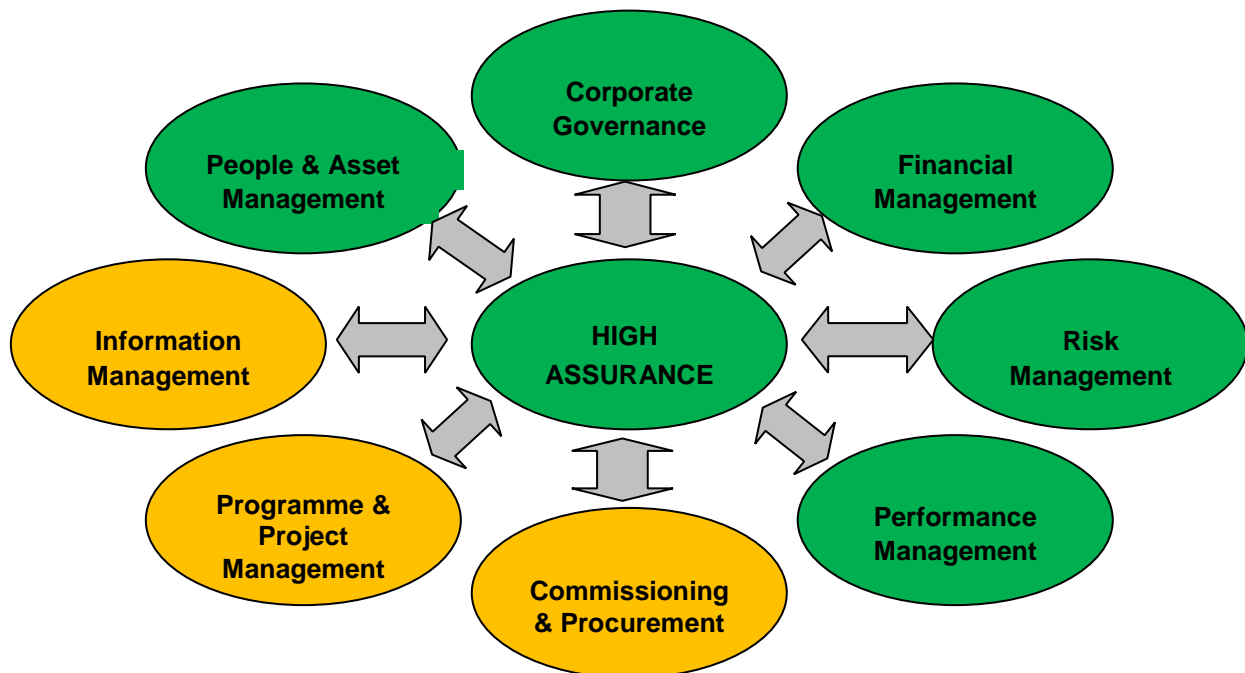
Each of the eight themes we have reviewed: Corporate Governance, Financial Management, Risk Management, Performance Management, Commissioning and Procurement, Information Management, Programme & Project Management and finally, People and Asset Management, have contributed towards our overall assessment and understanding of EDDC as a 'Healthy Organisation'. Each of these themes have been reviewed and a Red, Amber and Green (RAG) rating has been applied.

We have applied Green ratings for Corporate Governance, Financial Management, Performance Management, People and Asset Management and Risk Management, as the majority of processes are effective; meaning that well controlled systems are in place. Within these areas, some areas for improvement may still have been identified, but on balance there are more areas of good control than poor control.

We have applied Amber ratings for the remaining themes. EDDC is already aware of the majority of the issues, as they have been identified in audits previously undertaken this year. These issues include: updating certain procedures, improvements to capital project management and the absence of a procurement officer.

Assurance Opinion

The assurance levels, for each of the eight themes referred to above, have been reviewed and depicted in the following chart. This leads us to provide a **High Assurance** opinion. On the whole, assurance arrangements were working effectively; management are aware of their sources of assurance and this was supported by corporate and third party evidence.

Figure 2: Theme overall assurance graph**R/A/G Rating Key:**

RED	(Low Assurance / High Risk)
AMBER	(Medium Assurance / Medium Risk)
GREEN	(High Assurance / Low Risk)

1. Corporate Governance	
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Detailed Theme Assessment

Good corporate governance will facilitate effective management that can deliver long term success and performance of an organisation. Corporate Governance refers to the Strategic (rather than operational) management practices and values and beliefs by which the Council operates that balances accountability to and the interests of all its stakeholders including Service users, the wider public and business community, management, Members and staff across the Council. It provides the framework for achieving the Council's goals in every respect including Service delivery objectives, preservation of reputation and accountability, together with the values and culture in which Services are delivered.

Conclusion

Our conclusion is whilst the Council has good governance practice there are a few issues that if rectified would improve overall control.

The Assurance Wheel (figure 3) below provides a diagrammatic representation of strengths and weaknesses.

Areas of strength:

The Council has good overall governance arrangements in place. These include:

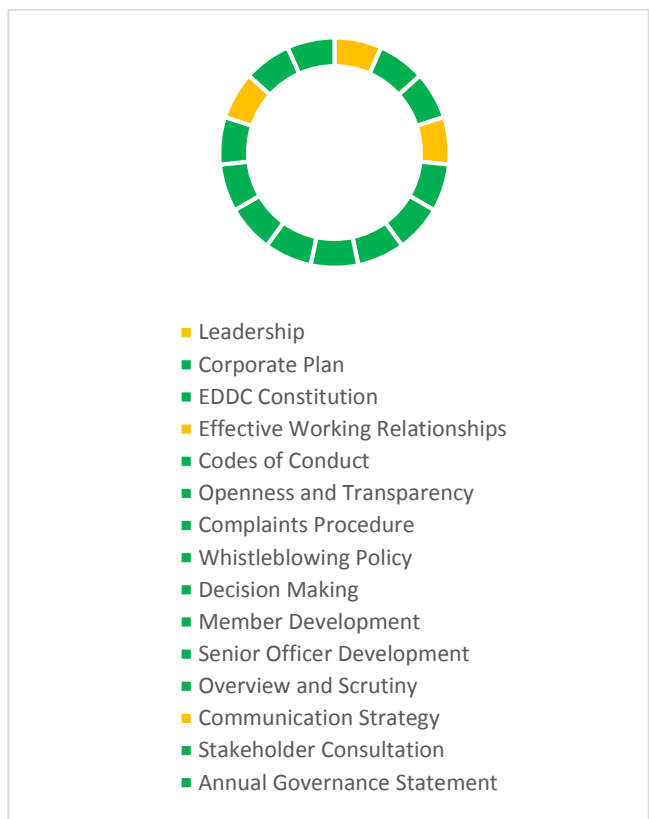
- There is adequate governance around the Corporate Plan.
- The Constitution is in place, updated and complete.
- Codes of Conduct are in place.
- Openness and transparency is managed through adherence to the Transparency Code, explained on the website.
- There is an established complaints procedure
- There is an established Whistle Blowing Policy

- An audit of Committee Decisions received substantial assurance in May 2016. A Member development and training programme is in place.
- There is a Training and Development Plan to support Senior Officers.
- There is an established committee structure for independent overview and scrutiny.
- There is a Community Engagement Policy to support stakeholder consultation.
- The Annual Governance Statement was found to be CIPFA Solace compliant by KPMG.

Suggested Areas for Improvement

- Leadership - Some Key management positions have been vacant for more than six months and some key services are experiencing high levels of staff turnover.
- Effective Working relationships - The Democratic Services Manager issues a survey to all Members, shortly after their induction. However, one area this survey does not cover is Members' relationship with Officers.
- Communication - there is no procedure or guidance on effective marketing practice; (or best practice) available for Services to refer to. This could result in EDDC's marketing efforts being ineffective and inconsistent, across the organisation; weakening its brand identity in the local community.
- Annual Governance Statement- The annual opinions provided by EDDC's assurance providers (SWAP, External Audit, internal reviews) should be stated.

Figure 3: Corporate Governance assurance wheel



The strength of the existing corporate governance framework of EDDC was assessed against relevant best practice and legal standards.

Leadership

At the time of the audit no Property and Estates Manager was in post. (The vacancy has been open for 18 months). SMT recently agreed to convert this position to Service Lead, and an industry standard salary will be offered in the hope of appealing to suitable candidates.

Similarly, Accountancy staff turnover is high. Again, Organisational Development have recognised this and have been making efforts to resolve this issue. Market supplements have been calculated, to ensure a competitive salary is being offered. In addition, feedback from exit interviews is being used to establish a business case for market supplements to be implemented. Finally, the Strategic Lead-Organisational Development, Equalities and Transformation is currently in the process of writing a new Workforce Plan.

Although both issues are being managed, we believe that recruitment and staffing is an area for

further review. This area has been the subject of a recent audit on Use of Consultants and a forthcoming audit on Organisational Resourcing.

The Senior Management Team meet fortnightly and these meetings are minuted and actions are agreed. However, as the actions are not given timescales, there is a risk that the actions are not completed on a timely basis which could be a financial or reputational issue for the Council. This is not considered to be a key area for future review, but is offered as improvement suggestion only.

Corporate Plan

The Council Plan was assessed and approved by Full Council, which is evidenced in the minutes and published on the EDDC website. The Plan communicates a clear vision, underpinned by Corporate Objectives; against which corporate performance is measured, through the monitoring of corporate plans by relevant bodies e.g. the Scrutiny Committee. The plan is based on input from both Officers and Members and was ultimately approved by Full Council.

There is evidence of engagement with stakeholders, such as Viewpoint Surveys, the results of which are published on the EDDC website, and the Resident Involvement Strategy.

Finally, the plan is published on the EDDC website, for anyone to access and is presented in a user-friendly format.

EDDC Constitution

EDDC has agreed a Constitution, which sets out how it operates, how decisions are made and the procedures that are followed. This is an effective control to ensure that EDDC is efficient, transparent and accountable to the Public. The Constitution adequately documents the corporate governance processes at EDDC, including Codes of Conduct, Terms of Reference for the main committees and explanation of how EDDC complies with Local Authority Legislation.

Effective Working Relationships

The role of Officers and the role of Members is clearly defined in the Constitution and the Council

Plan provides some reference to the role Members have had in its creation.

The Democratic Services Manager issues a survey to all Members, shortly after their induction. However, one area this survey does not cover is Members' relationship with Officers; which the Democratic Services Manager agreed would be a useful addition to the survey.

Codes of Conduct

The Codes of Conduct, for both Members and Officers, are contained within EDDC's Constitution. These comply with national standards and the legislative requirements of the Localism Act 2011; in that disclosable pecuniary and personal interests must be declared. The Monitoring Officer maintains the Member's register of interests and holds the Officer register of interests. The Monitoring Officers sends out annual reminders regarding the updating of the register of interests. Both Member and Officer register of interests are reviewed by the Monitoring Officer.

Openness and Transparency

The Code of Corporate Governance was reviewed by the Audit and Governance Committee in November and went to Cabinet in December to be adopted.

EDDC complies well with the Transparency Code, publishing the agendas and minutes from the majority of Committees held, and with a clear section on the website.

Complaints Procedure

Comprehensive and clear facilities are provided for the public and others to provide feedback to the council when they wish to do so.

The council's published policies describe in detail what action will take place when complaints are made. However we have not determined in this review whether these response protocols are being followed or target response timescales have been achieved.

Whistleblowing Policy

There is an approved Whistleblowing Policy which is available to both Officers and Members. It is easily accessible and has recently been reviewed.

Decision Making

Members' reasoning behind decisions made are recorded in the minutes of their meetings. An audit of Committee Decisions received substantial assurance in May 2016.

Member Development

Adequate training is provided to Members for them to perform their roles. Where need is identified, extra training is provided.

Senior Officer Development

The Training and Development Plan adequately explains the corporate approach to continual officer development. Training is available to all staff and they have opportunities to apply for extra training if they wish. The Performance Excellence Review forms periodically review Officers' progress and provides adequate opportunity for them to agree their training needs with their line managers.

Overview and Scrutiny

There is an adequate level of independent overview and scrutiny of EDDC's actions.

This role is provided by the Overview and Scrutiny Committees, Audit and Governance Committee and the Standards Committee, the Terms of Reference of these have been approved by Full Council as part of the Constitution.

Communication Strategy

EDDC has a Communications Strategy, which aims to promote two way engagement with the public. This is seen in practice in its website, surveys conducted (such as the Viewpoint Surveys) and the Council Plan.

Services are responsible for their own promotion, but an emphasis is placed on maintaining the EDDC branding; when engaging with the public.

The Communications Plan reflects the Corporate Objectives, stated within the Council plan, and

provides a link between the promotional efforts of Services and the achievement of Corporate Objectives.

However, there is no procedure or guidance on effective marketing practice (or best practice) available for Services to refer to. This could result in EDDC's marketing efforts being ineffective and inconsistent, across the organisation; weakening its brand identity in the local community.

Stakeholder Consultation

The Community Engagement Policy provides a detailed guide for involving residents in shaping the decisions that EDDC makes and for understanding their needs.

Annual Governance Statement

The Annual Governance Statement was found to be compliant with the CIPFA/SOLACE guidance by external audit (KPMG). However, the following improvement could be implemented to improve the effectiveness of this document:

- The annual opinions provided by EDDC's assurance providers (SWAP, External Audit, internal reviews) should be stated.

2. Financial Management

Detailed Theme Assessment

Effective Financial Management is the bedrock of any successful organisation and is vital to the ongoing ability of local authorities to deliver Services that the public wants. Assessing the organisations approach and delivery in this area goes to the heart of its ability to consult and listen to its communities, work effectively with Cabinet/Executive and Scrutiny functions. It will require an approach at both Corporate and Service levels that ensures it both involves, engages and challenges those who are accountable. Key Elements to consider will be the organisations approach to Strategic Financial Planning, Financial Governance, Financial Control and key indicators of financial performance. There will need to be evidence that it links appropriately to the corporate and Service planning frameworks and independent assurance of its effectiveness is therefore critical.

Conclusion

Financial management within the Council is generally well managed although there are a small number of issues that require improvement.

The Assurance Wheel (figure 4) below provides a diagrammatic representation of strengths and weaknesses.

Areas of strength

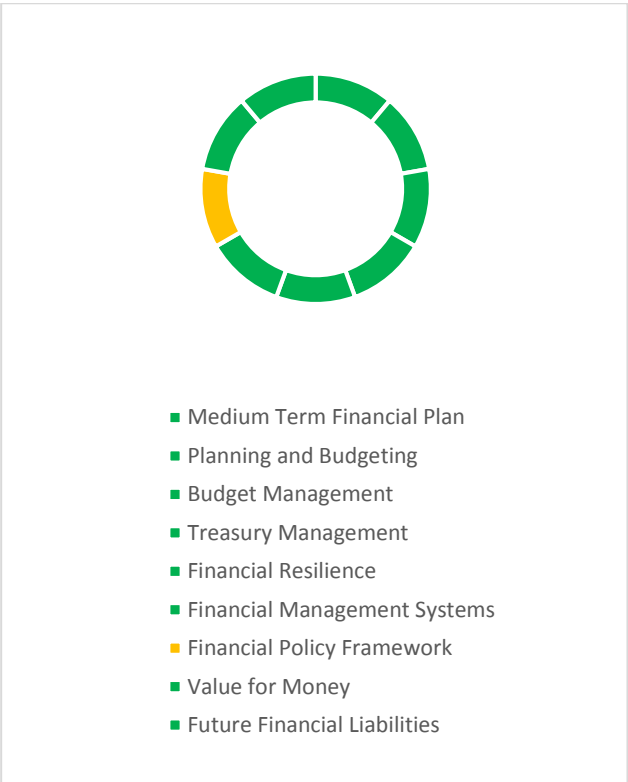
- An up to date Medium Term Financial Plan in place which aligns resources to EDDC’s priorities.
- There is an effective financial management framework in place including robust and well controlled financial management systems and budget monitoring processes.
- There is an established Treasury Management Policy in place.

- There is evidence of adequate financial resilience, reserves and a plan for their utilisation.
- The Council can demonstrate good Value for Money, as shown by KPMG’s 2015/16 review.

Suggested Areas for Improvement

- The key financial policies (Financial Regulations and Contract Standing Orders) have passed their review dates.

Figure 4: Financial Management assurance wheel



Essential elements of the Financial Management framework in the Council were assessed for strength.

Medium Term Financial Plan

Cabinet completed their annual review of the Medium Term Financial Plan in October 2016; the plan itself is valid until 2017. The plan contains adequate linkage between resources and the Corporate Objectives, stated within the Council plan. There is a structure of Service Plans that support the Corporate plan.

Planning and Budgeting

The Council has a well-developed financial management framework (including a budget setting timetable), both to develop and manage budgets during the year.

Cabinet approved EDDC's 2016-17 Revenue and Capital budgets in February 2016. EDDC generally has an effective budget setting process for both revenue and capital that assesses options and includes the relevant scrutiny.

Budget Management

EDDC's monthly budget monitoring reports on revenue and capital meet the requirements set out by CIPFA. The Finance Team hold monthly budget meetings with budget holders and a budget monitoring report is presented quarterly to members. Significant budget variances are explained to Cabinet. Staff Awareness Seminars are used to update Staff on the Council's budget position.

There is a clear framework and process for reporting, scrutinising and managing revenue and capital throughout the year up to member level.

Every General Fund budget in 2015/16 reported an underspend of between 2% (Strategic Development and Partnerships) and 62% (Sustainable Homes and Communities) of the original revised estimate. Although the reasons for the variances are recorded in the Outturn Report, every budget was underspent. We have met with the Strategic Lead – Finance and about this and have no significant concerns here.

Treasury Management Strategy

The Council has a Treasury Management Strategy, last approved by Full Council in February 2016, that sets out the Council's approach to liquidity, borrowing and cash flow. This Strategy is reviewed annually and an annual outturn report is presented to Cabinet. EDDC is also a member of the South West Treasury Management Benchmarking Group. Treasury Management was last audited by SWAP

on 2015-16 where it received a Substantial Assurance opinion.

Financial Resilience

The Council holds reserves and its Financial Operating Procedures include a section on how these reserves should be managed. The Council has adequate financial resilience, reserves and a plan for their utilisation. In June 2016 The Revenue and Capital Outturn Report was presented to the cabinet which requested approval of the reserves and transfers at the end of 2015/16. It was also noted that reserves are audited annually by External Audit and there are no significant concerns.

Financial Management Systems

The Council uses Cedar, a well-established accounting system. The Council has a robust and well controlled financial management systems and an accounting ledger that enables reconciliations to key systems. There were no issues raised with regard to feeder systems in the External Audit or our Main Accounting Audit undertaken for 2015/16. However, External Audit did raise a recommendation regarding improvements to the Council's Bank Reconciliation process which is currently being addressed.

Financial Policy Framework

The Financial Regulations and Contract Standing Orders describe the financial management processes operating across EDDC and are available on its intranet site. However, none of these key corporate documents have been reviewed recently, with the former having last been reviewed in 2007 and Contract Standing Orders in 2012.

Value for Money

Value for money is an overriding principle in EDDC's activities and all members and employees have a general responsibility for the security of assets under their control. This was confirmed in external audit (KPMG)'s opinion for the 2015-16 accounting year, communicated to the Audit and Governance Committee in September 2016, that

'EDDC has made arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'.

EDDC met external audit's value for money standards of:

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

Future Financial Liabilities

EDDC plans its future in a changing financial environment, which continues to be very demanding. Current year and forward financial plans take into account changing circumstances surrounding government funding levels, council tax support funding, business rates, new homes bonus, as well as interest rates, inflation, and income instability in determining the extent of financial liabilities it faces.

There is a Partnerships Policy and the Financial Services Manager confirmed partnership liabilities were included in the budget setting process, and that partnership register was presented to the Audit and Governance Committee in Nov 2016.

3. Risk Management

Detailed Theme Assessment

Effective Risk Management forms a key aspect of assurance and governance for an organisation. Risk Management is widely recognised as one of the '2nd Lines of Defence' alongside; Financial Control; Security; Quality/Performance Management; Inspection; & Compliance. Organisations which can demonstrate and operate under a structured and active risk management approach are far more likely to be able to focus upon their key priorities and outcomes and, in doing so, take informed and robust decisions. As such, the organisations 'maturity' in terms of its risk management arrangements, and internal audits own subsequent independent assessment of this level of this maturity, is fundamental in determining the degree of reliance that can be placed upon its effectiveness and the scope of the resultant Internal Audit Plan and its resource requirements

Conclusion

The Council demonstrate and operate under a structured and active risk management approach.

The Assurance Wheel (figure 5) below provides a diagrammatic representation of strengths and weaknesses.

Areas of strength

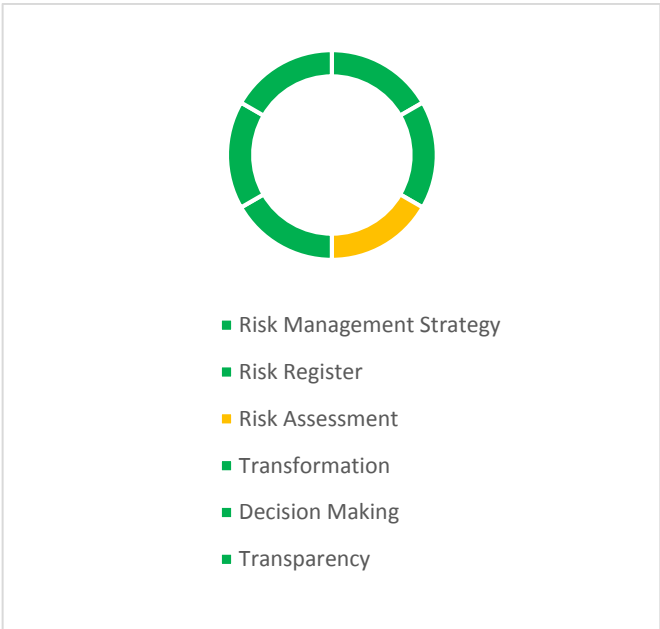
- An approved Risk Management Strategy in place.
- A Corporate Risk Register is maintained.
- The Transformation Programme encompasses and utilises active risk assessment.
- Active risk management helps inform the Council's decision making process.

- There is an open and transparent culture across the Council in respect of risk management.

Suggested Areas for Improvement

- Although risk assessment forms an active and routine part of Service planning, monitoring and reporting, the consistency of approach for project management has been highlighted as an area for improvement in the recent Achievement of Major Projects audit.

Figure 5: Risk Management assurance wheel



Management of risk within the Service was assessed for effectiveness.

Risk Management Strategy

The Council has an approved Risk Management Strategy in place, which explains the use of SPAR.net (risk management software). Appropriate ratings are used and it is clear that monitoring of controls should be appropriate to the level of risk they present.

Providing this system is enforced, management will be motivated to reduce the risk ratings of their controls; so they will have to spend less time monitoring them. Finally, authorisation levels are appropriate and frequency of review is reasonable.

Corporate Risk Register

A Corporate Risk Register is maintained on the SPAR.net system and is reviewed by the Audit and Governance Committee on a bi-annual basis.

Risk Assessment

There is clear evidence that risk assessment forms an active and routine part of Service planning, monitoring and reporting. Services have their own risk registers and new and emerging risks are included in the Service Plan.

Project risks are considered and included in the Project Appraisal Forms although the Achievement of Major Projects audit has highlighted inconsistency in the extent to which risks are monitored throughout the life of some projects (beyond the initial appraisal).

Transformation

EDDC's Transformation Strategy includes risk assessing the ability for the Council to create savings. The current relocation programme is an example where risk assessment has been used in considering alternative proposals, including the 'do nothing' option.

Decision Making

The Council's committee agenda templates include a risk rating to inform decision making (high, medium or low). As appropriate, the risk is explained within the Agenda template section; which Members refer to when making their decisions. The risk section is informed by SPAR.net, which is reviewed bi-annually by the

Audit and Governance Committee; the results of which are submitted to Full Council for their year-end risk review.

Transparency

The Council has a transparent risk management process which is easily accessible to staff, members and the public through the website.

4. Performance Management	
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Detailed Theme Assessment

Performance management is an essential element of the governance framework which provides a transparent platform upon which the Council is accountable to its citizens and Service users for the effectiveness of its Service provision and delivery of its published objectives. To be effective, the performance management framework needs to provide accurate and timely information to facilitate informed and transparent decision making and prompt corrective actions where Service delivery strategies appear not to be achieving their intended outcomes.

Conclusion

Although there is no defined Performance Management Framework in place, the processes in place are effective and provide accurate and timely information to demonstrate accountability and management of key deliverables.

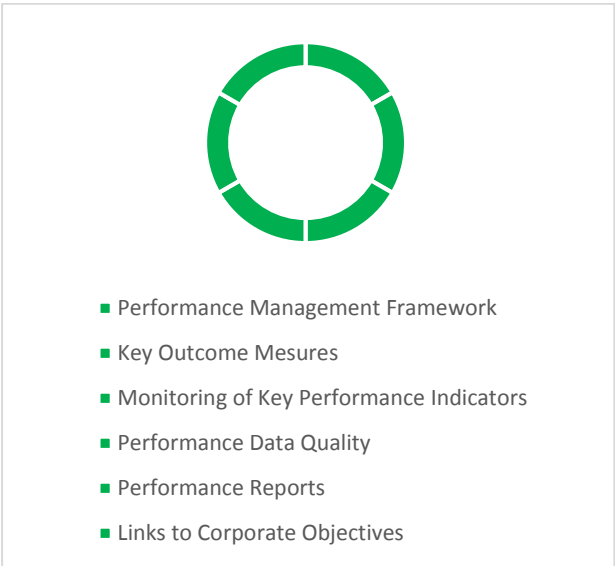
The Assurance Wheel (figure 6) below provides a diagrammatic representation of strengths and weaknesses.

Areas of Strength

- Key outcome measures have been identified to measure the achievement of the corporate objectives.
- Key Performance Indicators are regularly monitored and reported on in effective performance reports.
- The Management Information Officer reviews performance data for quality issues.
- The Performance Reports are well-designed and present the data in an

- effective manner, to facilitate discussion and challenge.
- Areas of poor performance would be highlighted in the Annual report as there is a clear link between that document and the Quarterly Performance Reports.

Figure 6: Performance Management assurance wheel



Performance management in the Service was assessed for effectiveness.

Performance Management Framework

There is a robust process for monthly, quarterly and annual corporate performance monitoring. The performance monitoring processes and results are explained clearly on the EDDC website. While this is not documented in a single framework, it constitutes a defined performance management structure.

Key Outcome Measures

For each Service Objective, stated within the Service Plans, a Responsible Officer is assigned. The Service Objectives link directly to the Corporate Objectives, stated in the Council Plan; as part of the Golden Thread concept. The

Responsible Officer must periodically update their progress in achieving the objective, through liaison with a member of the Organisational Development Service; which maintains the corporate performance monitoring function.

Progress against objectives is reported at a corporate level on a monthly, quarterly and annual basis to Overview and Scrutiny, Cabinet and to Full Council respectively.

This process clearly links corporate performance monitoring to the individual responsible for the achievement of each Service Objective; signifying accountability for the results is clearly defined.

Monitoring of Key Performance Indicators

Corporate performance is reported to the Scrutiny Committee on a monthly basis, in the form of reports; which use a RAG (Red, Amber, Green) classification system to highlight Services' achievement of key performance indicators. The reports are produced in SPAR, which is managed by an Information Officer and is reported to the Audit and Governance Committee biannually.

Performance Data Quality

Although a Data Quality Policy exists there was no evidence that this had been reviewed since it was produced in 2007.

The Management Information Officer does not systematically verify all of the performance data sets, but they do monitor the data generally and would query any anomalies if identified.

While not ideal, this process is satisfactory; in proportion to the level of risk that EDDC is exposed to by this process.

Performance Reports

The Performance Reports are well-designed and present the data in an effective manner, to facilitate discussion and challenge.

Links to Corporate Objectives

The 2015-16 Annual Report explains to readers how EDDC is meeting its Corporate Objectives and can be reached through a link on the performance pages of the Council's website. There is a clear link between the Promises on the Annual report and the Priorities in the Quarterly Performance Reports.

5. Commissioning and Procurement	
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Detailed Theme Assessment

Assessing Procurement & Commissioning activity of a Local Authority is a critical determinant in establishing its effectiveness in both being able to deliver benefit for its community but also in showing whether it can maximise VFM for its taxpayers.

Successful organisations understand the complex needs of their Service users and design Services which take into account the effectiveness of its internal provision against the market place to ensure taxpayers get the best value for money and the local economy is supported. The activity is complex and risky and therefore clear strategies, policies and plans are required which can be measured with appropriate targets that give the right level of assurance.

Conclusion

Although there is a Procurement Strategy in place and commissioning intentions are clear, the lack of procurement staff has resulted in a reduction in control over some key processes operating within the Council.

The Assurance Wheel (figure 7) below provides a diagrammatic representation of strengths and weaknesses.

Areas of Strength

- Commissioning intentions are clear to all stakeholders.
- Consistent achievement of savings targets.
- Corporate focus on attaining value for money and maximising social value.

Suggested Areas for Improvement

- The Chief Procurement Officer has retired and there has been a break in time before appointment of Devon Procurement Services to provide the necessary procurement expertise.
- Procurement Governance – As reported previously, issues around authorised signatories remain.
- The Procurement Strategy is overdue for review and could be improved by better explanation of the Procurement Lifecycle and more detail on the skills and competencies required to deliver the procurement process.
- Contract Letting and Transparency - Contract Standing Orders does not link to the Transparency Code or require contracts with a value of over £10,000 to be published online on Contracts Finder.
- There are no current arrangements for category management.
- The way in which value for money is measured could be improved for some suppliers.

Figure 7: Commissioning and procurement assurance wheel



Key elements of the Commissioning and Procurement activity were examined as follows:

Commissioning Intentions

There is adequate promotion of the commissioning intentions of EDDC over the medium term. This is achieved through the publication of major council plans and initiatives on the EDDC website.

Procurement Expertise

Since the Chief Procurement Officer retired in September 2016, the Strategic Lead-Finance temporarily picked up responsibility for this function and has since confirmed that a more suitable arrangement has been made with Devon Procurement Services to secure procurement expertise. At the time of the audit the arrangements for this were still being established.

Procurement Activity Governance

The ordering process is now predominantly conducted through the E-Procurement system. At the time of audit testing, separate reviews of Procurement and Creditors are underway. Preliminary findings from these audits note that the E procurement system is yet to be fully implemented and that there are improvements still to be made regarding authorised signatories.

Policy Framework

The review date for the Procurement Strategy 2012-16 has passed. Although the Procurement Strategy includes references to achieving value for money and linking procurement activity to the Corporate Objectives (stated within the Council Plan), it does not adequately explain the Procurement Lifecycle; or the skills and competencies required to deliver the procurement process.

Achieving Benefits and Savings

Although there is currently no Procurement Officer in post, the processes that were implemented and maintained by the previous Officer were effective in ensuring that savings were being achieved in EDDC's procurement activities.

Evidence of this can be seen in EDDC's consistent achievement of savings targets and in the savings targets it imposes upon its contractors. Finally, the budget monitoring processes provide additional control around this area.

Value for Money

The Transformation Strategy demonstrates that EDDC have a corporate focus on achieving Value for Money and Social Value and it is evident that this is plan is being carried out by management.

Transparency in the Letting of Contracts

The Contract Standing Orders was published in 2012 but has exceeded its review date. As a key corporate policy, it is crucial that this is maintained and updated to reflect the changing procurement landscape.

Contract Standing Orders does not contain linkage to the Transparency Code, which requires all contracts with a value of over £10,000 to be published on Contract Finder; an online tendering website. Although this guidance is available separately, it would be clearer to staff if it were incorporated into Contract Standing Orders.

A Contracts Register is maintained on the *Supplying the Southwest* portal and work is ongoing to ensure it is up to date.

Category Management

The Council has currently no plans in place for each of its major categories. However in the long term this should be addressed in the new arrangement with Devon County Council.

Understanding of Key Suppliers

Our audit work over the year 2016/17 (for example the Responsive Repairs Audit) indicates that there are some issues regarding the monitoring of key suppliers in terms of measuring value for money. Note: An audit of the Waste Contract is planned for this year.

Maximising Social Value

EDDC's have a number of methods available for engaging with the public, their key stakeholder. This includes forums, viewpoint surveys and consultations. In addition, the minutes from the majority of Members' meetings are published on the EDDC website.

6. Programme and Project Management	
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Detailed Theme Assessment

Effective Programme and Project Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active approach are far more likely to be able to focus their efforts and successfully achieve the delivery of anticipated outcomes and their associated benefits. It is important that programmes and projects are clearly defined and resourced. Equally they need to demonstrate a clear link to the delivery of corporate aims and objectives and be adequately governed.

Conclusion

A review of the programme and project management processes currently in place indicate that improvements could be made in this area.

The Assurance Wheel (figure 8) below provides a diagrammatic representation of strengths and weaknesses.

Areas of strength

- There is a standard methodology in place for capital and revenue projects
- The Project Appraisal form includes a section on how the objectives of project align with the Corporate Objectives.
- The council can demonstrate a clear approach in respect of the major changes currently taking place such as the planned relocation programme.
- No concerns were raised over the level of seniority or experience of project managers.

Suggested Areas for Improvement

- Capital Appraisal forms submitted to the Capital Allocation Group in some circumstances would benefit from additional documentation to support the application.
- Capacity and skills requirements are not included in the project appraisal template.
- Risk Management is not consistently managed past the project funding application phase.
- Benefits realisation exercises are not routinely completed at the end of projects.
- The format of business cases is inconsistent. As a result, some contain vital details of Responsible Officers, while others do not.
- Change management is not included in the Project Appraisal Forms.

Figure 8: Programme and project management assurance wheel



Programme and project management protocols in the Service were assessed against typical practices.

Project Methodology

There is a standard methodology in place for projects in the form of a Capital Appraisal Proforma. A flow chart provides the process for projects under and over £20k and advises on the process for capital and revenue projects.

Project Documentation

Capital Appraisal forms submitted to the Capital Allocation Group would benefit in some circumstances from additional documentation to support the application. A recommendation has been raised as part of the Achievement of Major Project Audit to prepare a clear policy/guidance to confirm the type/level of evidence required to support capital appraisals.

Capacity and Skills

The Project Appraisal Form does not require the applicant to confirm whether their Service has the competencies required to fulfil the project, or whether these need to be resourced if they need to be brought from outside the Council.

Project Risk Management

The EDDC Achievement of Major Projects Audit 2016/17 recommended that risk should be more consistently monitored throughout the life of projects. SWAP found that generally project managers were not consistently maintaining risk registers, which may be a contributing factor to project delays.

Reporting and Monitoring

Performance of the capital budget is being monitored and reported to the members of the cabinet on a regular basis and this includes performance of the budget and variations to the budget. In addition, capital monitoring reports are

provided to the budget holders on a monthly basis.

However there is no corporate process for assessing the benefits of a Capital Project once it is completed and a recommendation regarding this was raised in the Achievement of Major Projects. A post completion form is available, but this is not being widely used. Benchmarking, as part of this audit, found that a sample of other District Councils were successfully completing post completion reviews of projects.

Responsibility and Accountability

No concerns were raised over the level of seniority or experience of the officers assigned to oversee projects, (although we noted variation regarding the ease in which the name of the responsible officer could be identified, due to inconsistencies in documentation templates.)

Delivering Objectives

The Project Appraisal Forms provide space for the applicant to explain how the project will serve the Corporate Objectives. The extent to which the project aligns with Corporate Objectives contributes to the overall project score, which capital allocation decisions are ultimately based on.

Change Management

The Council has a Transformation Strategy, which is designed to meet central government's current policy of reducing its spending and managing change.

Discussion with the Strategic Lead-Organisational Development, Transformation and Equalities revealed a strong monitoring and communication framework (Work Smart; The Way We Work); which allows management to have good control over the organisational culture of EDDC, meaning that change can be managed effectively.

7. Information Management	
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Detailed Theme Assessment

Effective Information Management is an important aspect of governance for an organisation. Effective Information Management will facilitate and support effective working, better decision-making, improved customer Service and business transformation. A key component of information management is effective information governance. Although policies and processes should allow for information to be open and transparent to meet customer needs they must also ensure compliance with relevant legislation.

Conclusion

The lack of up to date IT Strategy and Disaster Recovery Plan give concern that information management process are not fully effective.

The Assurance Wheel (figure 9) below provides a diagrammatic representation of strengths and weaknesses.

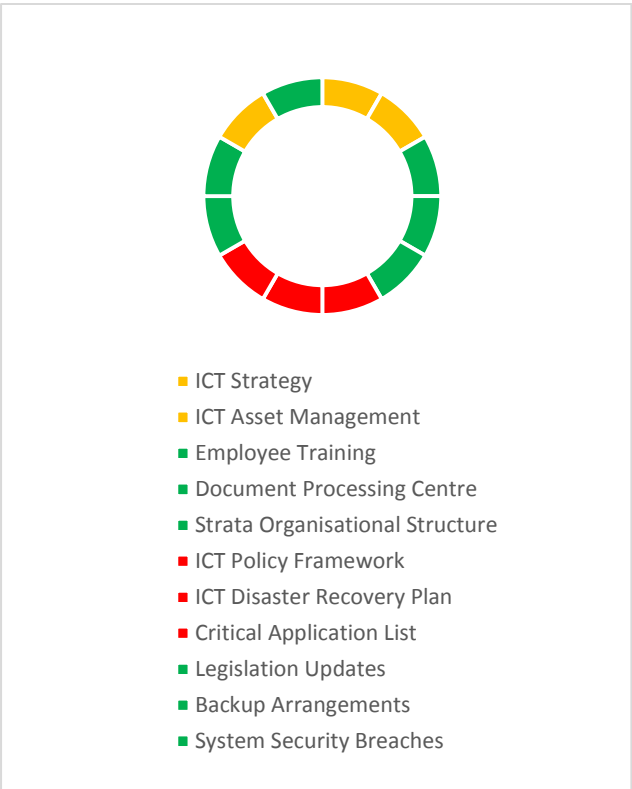
Areas of strength

- Employee training is undertaken.
- The controls around security of information at the Document Centre, both in paper and digital forms, were appropriate and in line with data protection legislation.
- The role of SIRO and Information Governance Manager for EDDC is assigned to a suitably senior officer.
- Officers are kept informed of updates to legislation.
- Backup arrangements are in place.

Suggested Areas for Improvement

- The ICT Strategy is out of date, and is scheduled to be reviewed in 2017.
- There is no standalone ICT Asset Management Policy.
- The ICT Policy framework is currently out of date.
- The ICT Disaster Recovery Plan is currently out of date, which includes the Critical Applications list.
- Metacompliance could be expanded for use by specific staff groups to enable efficient distribution of changes to legislation such as planning and health and safety.
- A system security breach has occurred and will require investigation.

Figure 9: Information management assurance wheel



In 2014, EDDC ITC Service was transferred to Strata under a partnership arrangement. The responsibility for Auditing Strata rests with the Devon Audit Partnership (and not SWAP).

ICT Strategy

An ICT Strategy was approved by Cabinet in 2012 and was intended to last until 2016. However, since EDDC's ICT function was transferred to Strata in 2014, the strategy has been out of date. Nonetheless, it is still available on the intranet, for all EDDC staff to refer to; which may cause confusion. For the time being, the Strata Business Case is a more up to date strategy and this is made clear and available to all staff.

ICT Asset Management

There is no ICT Asset Management Plan, however, the procedure is covered under Strata's Standards Policy. This policy is currently under review, as part of an overall policy framework review Strata is conducting.

Employee Training

Strata provide the ICT induction for new employees. In addition, the Employee Handbook contains all of the key policies. New starters must read through these and sign to confirm they agree they have read it.

Document Processing Centre

The Document Processing Centre was reviewed and the controls around security of information, both in paper and digital forms, were felt to be satisfactory and in line with data protection legislation. The process works in conjunction with the Royal Mail's commercial post customer procedure, which involves keeping effective audit trails.

Organisational Structure

The Strategic Lead – Finance is the Senior Information Risk Officer (SIRO) and Information Governance Manager, which is reasonable because of the partnership arrangement with Strata.

ICT Policy Framework

As part of this audit, the ICT policy framework was reviewed and was found to be made up of outdated policy documents; which were written before the ICT department was outsourced to Strata. Strata have confirmed that these policies, are under review and are expected to be updated in full in 2017. However, there are currently no current ICT policies for staff to refer to.

ICT Disaster Recovery Plan

The ICT Disaster Recovery Plan is currently outdated and is not available on the intranet. This was examined in the EDDC Business Continuity Planning Audit 2016/17 and was found to be appropriate as a standalone document for use by Strata; were it up to date. However, it was not appropriate for use to EDDC staff. The audit concluded that EDDC's Civil Contingencies Manager, who is currently creating a set of Service Level Business Continuity Plans, which will link to

the new Business Continuity Plan, would meet with Strata to create an effective ICT Disaster Recovery Plan.

Critical Application List

The outdated ICT Disaster Recovery Plan contained a Critical Asset List, but, as this plan is considered to be out of date, there is no reliable list in place to refer to in the event of a disaster.

Legislation Updates

The Strata Senior Security Analyst confirmed that a tool called Metacompliance is used to stream policies onto EDDC users' login screens. Users must confirm they have read these policies in order to continue using the computer. This is used, to a limited extent, when policy changes are made.

However, as specific user groups can be targeted, its use could be expanded to inform staff of any changes to legislation such as planning or Health and Safety and would be an efficient method of ensuring that staff have read and agreed any relevant changes in legislation.

Backup Arrangements

The Business Continuity Planning Audit, completed in 2016/17, confirmed with Strata that EDDC's ICT backup arrangements are satisfactory.

System Security Breaches

At the time of the audit the Strata Senior Security Analyst confirmed that there have been no significant breaches in the last year.

8. People and Asset Management	
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Detailed Theme Assessment

Effective Asset Management forms a key aspect of assurance and governance for an organisation. Organisations which can demonstrate and operate under a structured and active approach to asset management are far more likely to be able to focus any available investment against key priorities and, as a direct result, deliver improved outcomes. Asset Management decisions must be both financially and operationally sound and recognise the interdependencies between capital expenditure and any future revenue implications.

Conclusion

There are some effective people and asset management controls in place.

However there are a small number of areas where processes should be strengthened by the production of key documents.

The Assurance Wheel (figure 10) below provides a diagrammatic representation of strengths and weaknesses.

Areas of Strength

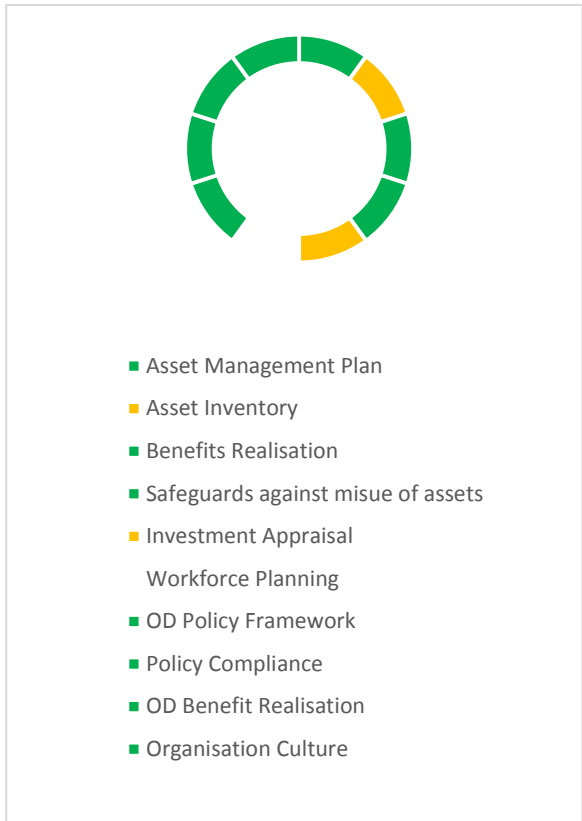
- Asset Management Plan in place (although not for IT – see above).
- Benefits realisation is monitored via the Asset Management Forum.
- Misuse of Assets has been reviewed by us as part of a StreetScene audit in 2015/16 and was given Reasonable assurance.
- There is a ‘golden thread’ concept in place which links the corporate objectives to staff performance objectives and provides a good policy framework.

- Performance Excellence Reviews are part of staff development.
- The Performance Excellence Framework defines how engagement with staff is maintained.
- EDDC’s receipt of a Gold Investors In People Award provides external assurance on its Organisational Culture.

Suggested Areas for Improvement

- Although Corporate Risk Registers exist, they require some work to ensure they are consistently populated.
- Evidence on what was reviewed as part of the investment appraisal process is not always recorded or retained.
- The Workforce Plan was in the course of being prepared during this audit and has therefore not been subject to review by us.

figure 10: People and Asset management assurance wheel



People and asset management within the Service was assessed against typical features of a benchmark framework.

Asset Management Framework

The Council has a clear Corporate Asset Management Plan, which explains all of the key responsibilities of the Asset Management Forum and adequately links to EDDC's Corporate Objectives.

The plan was reviewed by Cabinet, before being approved by Full Council; so has undergone the appropriate level of scrutiny.

Asset Inventory

The main asset register is known as IPF, which acts as a fixed asset register; communicating with the e-financials system. To this end, fixed assets are managed.

However, the EDDC Asset Register and Land Management Audit (reported August 2016) concluded that EDDC are at risk of holding inconsistent information about its assets; across

the multiple systems that hold information about assets e.g. important information held about a StreetScene asset in StreetScene's operational system may have been updated, but the information held about the same asset in Accountancy's asset register may not have been.

As was explained in the audit, EDDC have begun to discuss implementing Uniform, (a corporate asset management system) more widely across the organisation. If successful, this system would act as an asset management database, shared and dynamically updated by all of EDDC's Services. A follow up Audit is currently underway.

Benefit Realisation

Value gained from asset utilisation is monitored and assessed by the Asset Management Forum, in conjunction with the Corporate Asset Management Plan. In addition, the process for disposal of assets is clearly stated in the plan and appropriate approval processes stipulated. Council property is monitored for voids, as confirmed in the recent Housing Rents Audit.

Safeguards against Misuse of Assets

Misuse of StreetScene Assets was identified, through a Whistleblowing allegation, which prompted the EDDC StreetScene Asset Use Audit to be conducted in 2015-16. The controls put in place by management following investigation of the incident were found to be reasonable, although a number of recommendations were made.

Financial regulations and asset management policies outline the framework for authorisation/approval of acquisitions, disposals and transfers.

Investment Appraisal

The EDDC Achievement of Major Projects Audit 2016/17 found that revenue implications are considered as part of the project appraisal process, but evidence on what was reviewed is not always recorded or retained.

Workforce Planning

At the time of this audit, there was no up to date Workforce Plan in place. However, the Strategic Lead for Organisational Development was in the process of compiling one, which is due to be reviewed by Internal Audit in the 2017/18 Plan. No opinion has therefore been given on this particular aspect in this report.

OD Policy Framework

EDDC's Organisational Development Policy Framework covers all areas of the Service adequately and is reviewed regularly.

Organisational Development's policy framework is based around the 'golden thread' concept, linking the Corporate Objectives to all layers of the organisation; ultimately comparing employees' performance to Corporate Objectives, through their Performance Excellence Reviews.

Policy Compliance

The Organisational Development Service maintains continual engagement with employees, through Performance Excellence Reviews. These are monitored by Service Leads and contain strong linkage to EDDC's Corporate Objectives, demonstrating a commitment to maintaining a high staff awareness of the Organisational Development framework.

Organisational Development Benefit Realisation

The Council has a number of performance indicators in place, which monitor the achievement of their Organisational Development processes. The introduction of the Performance Excellence Framework has resulted in an increase in staff retention, and a reduction in absenteeism and grievances.

Organisational Culture

Management actively engage with staff at Corporate and Service level and share information and seek feedback through a number of avenues of communication. Examples include SMT updates, News and Views seminars, 1-2-1s, workshops and

intranet announcements. Data from exit interviews is collated and analysed. Finally, EDDC's receipt of a Gold Investors In People Award provides external assurance on its Organisational Culture.

Improvement Plan

AREA	Details	Suggested Action	Owner	Date for Action
Corporate Governance	Leadership - Some Key management positions have been vacant for more than six months and some key services are experiencing high levels of staff turnover.	Ensure this issue is addressed in the new Workforce Plan, which is currently under development. Note also that an audit of the work force plan is scheduled for 2017/18.	Strategic Lead Organisational Development & Transformation	September 2017
Corporate Governance	Effective Working relationships - The Democratic Services Manager issues a survey to all Members, shortly after their induction. However, one area this survey does not cover is Members' relationship with Officers.	The members survey should be updated to include a question regarding the relationship members have with officers.	Strategic Lead Governance & Licensing	For next survey
Corporate Governance	Communication - there is no procedure or guidance on effective marketing practice; (or best practice) available for Services to refer to. This could result in EDDC's marketing efforts being ineffective and inconsistent, across the organisation; weakening its brand identity in the local community.	Some guidance on effective marketing practices should be made available for Service Managers. Note also that an audit is planned for 2017/18 on commercial income.	Service Managers – It is considered that such experience and knowledge best sits within services as it will depend on the particular area.	N/A
Corporate Governance	Annual Governance Statement- the annual opinions provided by EDDC's assurance providers (SWAP, External Audit, internal reviews) should be stated.		Strategic Lead Finance	Complete
Financial Management	The key financial policies (Financial Regulations and Contract Standing Orders) have passed their review dates.	Review and update the Key Financial policies.	Strategic Lead Finance	Contract Standing Orders A&G Committee June/Sept 2017. Financial Reg's by 13

				December 2017 Council.
Risk Management	Although risk assessment forms an active and routine part of Service planning, monitoring and reporting, the consistency of approach for project management has been highlighted as an area for improvement in the recent Achievement of Major Projects audit.	No additional action required as this has already been addressed through the Achievement of Major Projects Audit 2016/17.	N/A	N/A
Commissioning and Procurement	The Chief Procurement Officer has retired and there has been a break in time before appointment of Devon Procurement Services to provide the necessary procurement expertise.	This should be resolved by the appointment of Devon Procurement Services. Note that a further audit on Procurement is scheduled in the 2017/18 Audit plan.	Strategic Lead Finance	Completed
Commissioning and Procurement	Procurement Governance – As reported previously, issues around authorised signatories remain and improvements could be made in the way performance of the Procurement and Efficiency Board is monitored.	No additional action required regarding the Authorised Signatory lists as this will be reported in the forthcoming creditors audit. The Procurement and Efficient Board should report progress made against each of their objectives. Note that an audit is scheduled for 2017/18 on Procurement.	N/A	N/A
Commissioning and Procurement	The Procurement Strategy is overdue for review and could be improved by better explanation of the Procurement Lifecycle and more detail on the skills and competencies required to deliver the procurement process.	Review and update the Procurement Strategy to include the issues identified. Note that an audit is scheduled for 2017/18 on Procurement.	Strategic Lead Finance	Cabinet by 4 October 2017

Commissioning and Procurement	Contract Letting and Transparency - Contract Standing Orders does not link to the Transparency Code or require contracts with a value of over £10,000 to be published online on Contracts Finder.	Contract Standing Orders should be updated to include reference to the Transparency Code and the requirement to publish contracts with a value of £10,000 online. Note that an audit is scheduled for 2017/18 on Procurement.	Strategic lead Finance	Complete to be approved A&G Committee 29 June 2017
Commissioning and Procurement	The are no current arrangements for category management.	This should be resolved through the appointment of Devon Procurement Services. Note that an audit is scheduled for 2017/18 on Procurement.	Strategic Lead Finance	Completed
Commissioning and Procurement	The way in which value for money is measured could be improved for some suppliers.	No additional action required as this has already been addressed through the Responsive Repairs Audit 2016/17.	N/A	N/A
Programme and Project Management	Capital Appraisal forms submitted to the Capital Allocation Group did not include any documentation to support their application	No additional action required as this has already been addressed through the Achievement of Major Projects Audit 2016/17. Note that an audit is scheduled for 2017/18 on Programme and Project Management.	N/A	N/A
Programme and Project Management	Capacity and skills requirements are not included in the project appraisal template.	The Project Appraisal Forms should be updated to reflect this. Note that an audit is scheduled for 2017/18 on Programme and Project Management.	N/A	N/A
Programme and Project Management	Benefits realisation exercises are not routinely completed at the end of projects.	No additional action required as this has already been addressed through the	N/A	N/A

		Achievement of Major Projects Audit 2016/17. Note that an audit is scheduled for 2017/18 on Programme and Project Management.		
Programme and Project Management	The format of business cases is inconsistent. As a result, some contain vital details of Responsible Officers, while others do not.	Ensure a consistent format is applied across all of the business cases; which include details of Responsible Officers. Note that an audit is scheduled for 2017/18 on Programme and Project Management.	N/A	N/A
Programme and Project Management	Change Management is not included in the Project Appraisal Forms.	Project Appraisal Forms should include some explanation of how change will be managed. Note that an audit is scheduled for 2017/18 on Programme and Project Management.	N/A	N/A
Information Management	The ICT Strategy is out of date, and is scheduled to be reviewed in 2017.	As is intended, Strata should complete their review of the entire ICT Strategy and Policy Framework. Note that an audit on this area is scheduled by Devon Audit Partnership (Strata's Internal Audit provider) for 2017/18.	Strategic Lead Finance	Complete
Information Management	There is no standalone ICT Asset Management Policy and other IT policies are overdue for review.	As is intended, Strata should complete their review of the entire ICT Strategy and Policy Framework. Note that an audit on this area is scheduled by Devon Audit Partnership (Strata's	Strategic Lead Finance	September 2017

		Internal Audit provider) for 2017/18.		
Information Management	The ICT Disaster Recovery Plan is currently out of date, which includes the Critical Applications list.	No additional action required as this has already been addressed through the Business Continuity Planning Audit 2016/17. Note that an audit is scheduled for 2017/18 on both Disaster Recovery and Business Continuity.	N/A	N/A
Information Management	Metacompliance could be expanded for use to distribute other changes in legislation such as Health and Safety or Planning to specific user groups.	The Metacompliance tool should be considered for wider use in ensuring staff are up to date with legislation changes and, more importantly, that they are asked to confirm that they are aware of the change.	Strategic Lead Organisational Development & Transformation – To be implemented only where considered appropriate	Complete
People and Asset Management	Although Corporate Risk Registers exist, they require some work to ensure they are consistently populated.	No additional action required as this has already been addressed through the Asset Register and Land Record Management Audit 2015/16. A follow up audit is currently underway.	N/A	N/A
People and Asset Management	Investment Appraisal - Evidence on what was reviewed as part of the investment appraisal process is not always recorded or retained.	No additional action required as this has already been addressed through the Achievement of Major Projects Audit 2016/17. Note that an audit is scheduled for 2017/18 on Programme and Project Management.	N/A	N/A

Report to: **Audit and Governance Committee**
Date of Meeting: 29 June 2017
Public Document: Yes
Exemption: None



Agenda item: 11

Subject: **Revenue and Capital Outturn Report 2016/17**

Purpose of report:

The following report was presented to Cabinet on 14 June 2017. The report is presented to Audit & Governance Committee to inform the Committee of the financial Outturn position for 2016/17 and to ask the Committee to endorse, or not, the recommendations approved by Cabinet.

The draft Annual Statement of Accounts for 2016/17 is available on the Council's website (<http://eastdevon.gov.uk/council-and-democracy/council-business/our-finance/financial-information-201617/>). These will be presented to the Audit & Governance committee at its September meeting for approval after they have been audited.

Recommendation:

To note the financial Outturn position for 2016/17 and to endorse the recommendations made by Cabinet on 14 June 2017.

Reason for recommendation:

To report the Outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital Expenditure. This final position will flow through to the Council's Statement of Accounts.

Members are asked to note the variations from the budgets identified within the report and consider the final position.

It is appropriate at this stage to reflect on the reserves and balances held by the Council and determine if these are the right reserves at the right levels going forward.

Officer:

Simon Davey, Strategic Lead - Finance

sdavey@eastdevon.gov.uk

01395 517490

Financial implications:

The financial details are outlined in the report

Legal implications:

There are no legal implications requiring comment

Equalities impact:

Low Impact

No decisions are required which effect service/customer provision

Risk:

Low Risk

Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. No areas of concern were raised with the Council maintaining its net spending within overall approved budget levels. All predetermined Balance and Reserve levels were maintained comfortably above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report.

The report also looks at the monies the Council holds in balances/reserves and considers their appropriateness. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information:

- Contained in report attached

Link to Council Plan:

A sound financial position allows the Council to deliver its priorities and outcomes set out in the Council Plan.

Report to: Cabinet
Date of Meeting: 14 June 2017
Public Document: Yes
Exemption: None



Agenda item: To be completed by Democratic Services.

Subject: Revenue and Capital Outturn Report 2016/17

Purpose of report:

During 2016/17 monthly budget monitoring reports have informed members of budget variations and the anticipated year end financial position. This report contains the final position for the year and compares this outturn position against the budgets set.

The report outlines the implications of these results on the Council's reserves and makes recommendations on reserve transfers.

Recommendation:

1. The Cabinet agree the outturn position for 2016/17.
2. To agree with the level of Reserves detailed in the report and the transfers/use as recommended; namely
 - a) The transfer of £0.606m from the General Fund as one off savings in 2016/17 to the Capital Reserve to help fund future capital programme commitments (detailed in 2.6 – 2.7 of the report).
 - b) The transfer of £0.294m from the Business Rates Volatility Fund into the General Fund to meet the shortfall on business rates income against budget in 2016/17 (detailed in 2.8 of the report).
 - c) That an adopted range is determined for the HRA Balance to be held of between £2.1m and £3.1m, and that £3.970m held above this level is transferred to a new Reserve "Future Housing Development Fund" (detailed in 3.3 -3.4 of the report).
 - d) That £2.8m is transferred from the HRA Business Plan Volatility Fund into the Future Housing Development Fund (detailed in 3.5 of the report).
 - e) 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 2016/17.

Reason for recommendation:

To report the Outturn position for the Council's approved budgets for the General Fund, Housing Revenue Account and Capital Expenditure. This final position will be presented in the Council's Statement of Accounts.

Members are asked to note the variations from the budgets identified within the report and consider the final position.

It is appropriate at this stage to reflect on the reserves and balances held by the Council and determine if these are the right reserves at the right levels going forward.

Officer:

Simon Davey, Strategic Lead Finance (CFO/S151)

sdavey@eastdevon.gov.uk 01395 517490

Financial implications:

The financial details are outlined in the report

Legal implications:

There are no legal implications requiring comment.

Equalities impact:

Low Impact

No decisions are required which effect service/customer provision

Risk:

Low Risk

Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. No areas of concern were raised with the Council maintaining its net spending within overall approved budget levels. All predetermined Balance and Reserve levels were maintained comfortably above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report.

The report also looks at the monies the Council holds in balances and reserves and considers these in the light of the Council's future financial position and future Government funding cuts. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information:

[Outturn Booklet 2016/17](#)

Link to Council Plan:

A sound financial position allows the Council to deliver its priorities and outcomes set out in the Council Plan.

1. Introduction

- 1.1 This report compares the outturn position (actual amount spent or income received for the year) against budgets set for the financial year 2016/17 for the General Fund, Housing Revenue Account (HRA) and the Capital Programme.

- 1.2 A summary position is contained in this report for each of these areas with an accompanying 'Outturn Book' giving detailed information on actual spend against the budget set by members. The Book gives an explanation of any significant variations of spend or income against budget and highlights other matters to be drawn to Members' attention.
- 1.3 The report looks at the effect the outturn figures have on the Council's balances and reserves and considers future policy for holding these sums.

2. General Fund position

- 2.1 The 2016/17 original budget was set as a balanced budget; with no transfer to or from the General Fund Balance. During the course of 2016/17 the Council agreed to:
- Carry forward £0.813m of items of expenditure planned to be spent in 2015/16 but approved at year end to be carried forward and spent in 2016/17 (details contained in the 2015/16 Outturn Report to Cabinet in June 2016). These being funded from the savings in the related budget in 2015/16 with monies placed in earmarked reserves to fund the expenditure.
 - The Council also approved five supplementary estimates during the year totalling £0.303m to be funded from the General Fund Balance. Reports were presented to Cabinet for recommendation to Council, the items approved were:
 - Enterprise Zone preparation funding £0.025m
 - Community Infrastructure Levy support £0.030m
 - Cranbrook Team additional support £0.124m
 - Sidmouth Beach Management Plan £0.054m
 - Greater Exeter Strategic Plan £0.070m
£0.303m
- 2.2 The final outturn position is that instead of requiring a transfer from the General Fund Balance of £0.303m to balance the 2016/17 budget, there is a surplus of £0.443m to be paid into the General Fund Balance. Giving an overall variation of £0.746m.

- 2.3 A budget variation analysis by portfolio and service is contained in the Outturn Book linked to this report, an indication of the main variations are given below.

General Fund 2016/17 – main outturn variations against budget	Variation £000
Employee savings from vacant posts, most significant savings from; <ul style="list-style-type: none"> • Property & Estates Service Lead • Economic Development Funding & Research Officer • Growth Point/Cranbrook project team positions • Car Parks • Development Management 	(495)
Car Park income higher than projected	(189)
Recycling credits higher than estimated through significant increased volumes	(128)
Increased Revenues & Benefits admin grant for new requirements & initiatives	(227)
Increase in Housing Benefit Payments, offset by additional subsidy and increased benefit overpayments recovered	149

Note: Amount in brackets () are saving items or additional income. Unspent budgets to be carried forwarded as delayed spend in future years have been ignored from this analysis.

- 2.4 In addition two earmarked reserves previously set aside are now no longer required totalling £0.138m and will be transferred back into the General Fund Balance. The main one being £0.125m from the Growth Point Reserves were external funding has now been secured mitigating the need for this reserve (project work).
- 2.5 This gives the overall General Fund position at year end with a transfer into the Balance of £0.581m (£0.443m + £0.138m). The updated position for the General Fund Balance is given below.

General Fund Balance Position	£000	£000
Opening Balance 1/4/2016		(3,625)
Supplementary Estimates approved in 2016/17	303	
Outturn variation 2016/17	(746)	(443)
Earmarked Reserves transferred back to General Fund Balance		(138)
Closing Balance 31/3/2017		(4,206)

Note: No use of the General Fund Balance has been budgeted in 2017/18.

- 2.6 Taking the General Fund Balance at £4.206m this is £0.606m above the adopted range previously determined by Council, this being between £2.8m and £3.6m. This range is still considered the appropriate level as there has been no key change to the factors used in its determination. This represents approximately 10% of our net budget equivalent to a two year operational period giving £2.8m; to this is added £0.8m headroom to give £3.6m as a top of the range figure. This is the range we stipulate the General Fund Balance to be within before members need to take action; whether above or below the range.
- 2.7 It is recommended that the sum above the adopted range, £0.606m, is transferred into the Council's Capital Reserve which has been depleted in 2016/17 and the monies are used to help fund the capital programme going forward.

- 2.8 The Council has set aside a reserve to manage the volatility of business rate income; at the beginning of 2016/17 the NNDR Volatility Fund stood at £0.933m. In 2016/17 business rate income received is less than budget by £0.294m, this sum has been taken from the Volatility Fund to make good this loss. It is anticipated that the income will be above budget in 2017/18 and a transfer will be made back into the Reserve.

3. Housing Revenue Account (HRA)

- 3.1 The 2016/17 budget was set to achieve a surplus of £0.213m, the Outturn position shows a final surplus for the year of £1.935m; the main variations are given below.

HRA 2016/17 – Outturn variations against budget	Variation £000
Revenue Contribution to Capital & Major Repair costs - underspend on capital programme with the level of works anticipated not undertaken in year due to resourcing and an ambitious plan. Also additional capital receipts were received available for funding.	(931)
Rent income (including garage rents) were higher due to collection rates and better void levels than budgeted - a prudent approach was taken.	(342)
A loan was budgeted for £0.7m but this was not taken out as not required.	700
Storm damage insurance claim - which was offset in part by overspends incurred on responsive repairs and other associated works previously funded from the HRA.	(1,043)
Supervision & Management – underspend on employee budget because of vacant posts and late appointments.	(72)
Stock condition survey not commenced as planned, more detailed work required as to the most suitable approach.	(68)

- 3.2 The updated position of the HRA Balance with the surplus transfer of £1.935m is given below.

HRA Balance Position	£000	£000
Opening Balance 1/4/2016		(5,135)
Original Budget approval transfer to Balance in 2016/17	(213)	
Outturn variation 2016/17	(1,722)	(1,935)
Closing Balance 31/3/2017		(7,070)

Note: A surplus of £0.521m is budgeted in 2017/18.

- 3.3 The adopted minimum level for the HRA Balance is £2.1m, based on £490 per property and this is considered to be the minimum Fund Balance that should be held for unexpected/emergency situations. It would also seem sensible to introduce a maximum sum to hold thereby creating an adopted range the Council is comfortable holding the HRA Balance between before members need to make a decision; whether above or below the range. It is therefore proposed to add headroom of £1m to the minimum level to give an

adopted range for the HRA Balance of between £2.1m and £3.1m. This is in line with the principles agreed with the General Fund Balance.

- 3.4 The HRA balance is therefore significantly above the proposed adopted range by £3.970m and it proposed that this transferred into a new Fund - Future Housing Development Fund, to be used to provide additional dwellings within HRA and used to match fund the one to one replacement capital receipts required to be spent within set deadlines or required to be returned to Government with an interest payment.
- 3.5 The HRA also has a HRA Business Plan Volatility Reserve which was created in 2012/13 to provide a cushion for repaying the self financing loans should adverse fluctuations in spending and/or rent income occur. The balance in the reserve is currently £4.4m. This Reserve has not been required and the HRA continues to meet loan repayments and make annual surpluses, it is therefore questionable whether this Reserve is still required at this level, or at all. However this will best be evidenced with a refresh of the HRA Business Plan alongside an updated of the stock condition survey; it is therefore proposed to transfer £2.8m from the HRA Business Plan Volatility Fund into Future Housing Development Fund funding the next two years of proposed development, thereby still leaving £1.6m to help meet loan repayments should it be required. Its requirement can be revisited once other factors are known.

4 Capital Budget

- 4.1 The revised Capital budget for 2016/17 totalled net expenditure of £19.039m; the Outturn position is lower at £16.242m, a variation of £2.797m. The majority of this underspend is from scheme slippage and a need to re-profile expenditure into 2017/18 or later years. The main variations against the revised budget are given below with further details contained in the Outturn Book.

Capital 2016/17 – main outturn variations against Budget	Variation £000
Knowle Relocation project – re-profiling of budget spend required, underspend carried forward	(581)
Exmouth swimming Pool improvements – LED requests for tranche payments slipped into 2017/18	(212)
Disabled Facility Grants – Demand not as high as budget/grant allocation from Devon County Council.	(336)
New Feniton Flood Alleviation Scheme – slipped to 2017/18 due to ongoing discussions with Network Rail	(893)
Refuse & Recycling vehicles & equipment– slipped to 2017/18 in line with roll out requirements	(516)

- 4.2 The Capital Reserve at the end of 2016/17 is nil, being fully used to fund the 2016/17 capital programme; the use of the Reserve in 2016/17 was £2.405m.
- 4.3 The Capital Reserve being fully used was expected and has been highlighted to Members. The balance of funding in 2016/17, after the use of New Homes Bonus grant, Capital Receipts, Revenue Contributions and finally the Capital Reserve has been met through internal borrowing (£2.189m). This has increased the underlying need for the Council to borrow (Capital Financing Requirement) and the Council's cash flow position is monitored carefully to determine if there is need to actually borrow to meet costs or whether it is

preferable to use internally available funds. This is a balance between considering expected interest rates achieved on investments, the cost of borrowing and the Council's future requirement on cash flows. These consideration are all made within the perimeters of the Council's approved Treasury Management Strategy.

- 4.4 The future capital funding position, along with revenue, will be debated further with the presentation of the Financial Plan (2018-2023) to be considered in September/October by Cabinet once considered by other member working groups of the Council.
- 4.5 **This report recommends the one off savings from the General Fund of £0.606m in 2016/17 is transferred to the Capital Reserve to assist with future capital schemes,** particularly those that are mandatory and have no income generation to support their investment.
5. **Other Main Reserves and Balances Available (not considered above) – year end position**

Transformation Reserve

The balance as at 31/3/17 is £0.483m. This sum is set aside to assist the Council's transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years.

Local Authority Business Growth Incentive Scheme Reserve

The purpose of this reserve is to promote and deliver economic development. A programme of spend and authority for spend has been approved by Council. The balance on this reserve as at 31/3/17 is £0.139m.

Asset Maintenance Reserve

This reserve is used to support the Council's General Fund Assets and planned maintenance backlog/essential work/asset failure (created from one off VAT refunds).

The year end balance is £0.997m. This Reserve is currently used at a rate of around £0.100m to 0.200m annually. Details of spend are agreed by SMT (Strategic Management Team) presented to the Asset Management Forum to ensure they do not conflict with asset strategy

Business Rates Volatility Fund

The Balance of this Reserve as at 31/3/17 is £0.639m taking account of the transfer from this Reserve in 2016/17 of £0.294 (detailed in 2.8 above). The Reserve is used to mitigate the volatility of business rate income should income fall below the expected budget and allows the Council to set a level in the budget with certainty in relation to an income source that can fluctuate.

New Homes Bonus Volatility Fund

New Homes Bonus Grant income is utilised to support General Fund service expenditure in part, the risk of using such income was acknowledged and the principle agreed of setting up a Fund to mitigate the risk and protect the Authority.

The balance of this reserve as at 31/3/17 is £1.431m which is at the agreed level inline with using £1.5m of NHB annually to support revenue. The outcome of the NHB government

consultation is now known resulting in a significant reduction in this income source and thereby increasing significantly the percentage of this grant income which is relied on in the General Fund, thereby increasing the risk that the income does not match the budgeted amount. It is sensible to retain this Reserve to even out annual fluctuations in revenue to protect the General Fund. Currently the level held is deemed reasonable but this will be considered in the Financial Plan presented later in the year when further modelling will consider on future income predictions from NHB.

Other Earmarked Reserves

There are other earmarked reserves for specific projects where funding or 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 details of these transfers being made in 2016/17 at outturn stage with a complete list of all Reserves held.

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 12

Subject: **Draft Annual Governance Statement 2016/17**

Purpose of report: Attached is a draft of the 2016/17 Annual Governance Statement for members to review and amend if considered appropriate.

This will be represented with the Annual Accounts at the Audit & Governance Committee meeting in September 2017. A review at this stage gives members an opportunity to review and amend if required before it is formally presented and adopted as part of the Accounts process.

The Statement has been prepared in line with the new "Delivering Good Governance in Local Government: Framework (CIPFA/Solace, 2016)" which applies to annual governance statements prepared for the financial year 2016/17 onwards.

Recommendation: **To review and amend if considered appropriate the attached draft Annual Governance Statement 2016/17.**

Reason for recommendation: An Annual Statement needs to be prepared and approved as part the Council's Annual Accounts.

Officer: Simon Davey, Strategic Lead Finance
email: sdavey@eastdevon.gov.uk

Financial implications: No direct financial implications

Legal implications: Legal background is detailed in the Annual Governance Statement and there are no other legal implications requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information: •
Link to Council Plan:

ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2017

1. Corporate Governance

Corporate Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. Good governance ensures that the Council provides for effective leadership and management in the use of public money; ensures the delivery of high quality services to all taxpayers and citizens; and achieves the desired outcomes for service users and communities.

East Devon District Council acknowledges its responsibility for ensuring that there is a sound system of governance. The Council has developed a Local Code of Corporate Governance that defines the principles that underpin the governance of the organisation. The Code can be accessed on the Council's website at <http://eastdevon.gov.uk/council-and-democracy/council-business/our-key-policies/code-of-corporate-governance/purpose-and-scope-of-the-policy/> or can be obtained by writing to the Council. The principles upon which it is based are summarised in this Statement.

2. The Annual Governance Statement

The Accounts & Audit (England) Regulations 2015 require the Council to prepare and publish an annual governance statement. This is a public document that reports on the extent to which the Council complies with its own code of corporate governance. The Annual Governance Statement explains how the Council makes decisions; manages its resources in line with the Council's priorities; and achieves the required outcomes for service users and communities.

In the Annual Governance Statement the Council:

- Acknowledges its responsibility for ensuring that there is a sound system of governance
- Summarises the key elements of the governance framework and the roles of those responsible for the development and maintenance of the governance environment
- Describes how the Council has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period (Appendix 1)
- Provides details of how the Council has responded to any issue(s) identified in last year's governance statement
- Reports on any significant governance issues identified from this review and provides a commitment to addressing them (Section 6)

3. The Governance Framework

Scope of Responsibility:

East Devon District Council is responsible for ensuring that:

- Business is conducted in accordance with the law and proper standards
- 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 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, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

Purpose of the Governance Framework:

The Council's governance framework comprises the systems, processes, cultures and values by which the Council is directed and controlled and activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money. The framework aims to ensure that in conducting its business the Council:

- Operates in a lawful, open, inclusive and honest manner
- Makes sure that public money is safeguarded, properly accounted for and used economically, efficiently and effectively
- Has effective arrangements for the management of risk
- Secures continuous improvements in the way that it operates

The Governance Framework:

The governance framework sets out how the Council is operating in order to demonstrate compliance, ongoing improvement, its commitment to maintaining the highest ethical standards and levels of governance. The governance framework has been in place at East Devon District Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

The Council has based its governance framework on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'. The framework sets out seven core principles for good governance. Appendix 1 provides a summary of key elements of the Council's governance framework and how they relate to the seven principles.

4. 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 (SWAP) Annual Report and Opinion 2016/17– Report presented to Audit & Governance Committee 29th June 2017 giving reasonable assurance. Key areas for improvement have been picked up within this Statement in Section 6.
- External audit and inspection (KPMG) – a Report will presented to the Audit Governance Committee in September 2017 but no areas of concern are expected to be raised.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May 2017 through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Assistant Director for SWAP, the Strategic Lead Finance (CFO/S151), the Monitoring Officer, Chief Executive and the Chairman and Vice Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in this Statement.
- 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 frequent basis and Council service performance reports.
 - Overview & Scrutiny Committees hold 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 (Internal Audit function) 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 any fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where suspected fraud or irregularity has occurred.

The results of the annual review of the effectiveness of the key elements of the Council's governance processes during 2016-17 are set out in the table in Appendix 1.

5. Significant Governance Issues - Issues raised in 2015/16 Annual Governance Statement

Issues raised in last year's Annual Governance Statement related to two specific SWAP investigations within the year. Appropriate actions were reported as having been taken at the time of the audits and no remaining actions are outstanding.

A further weakness was raised in 2015/16 by the Council's external auditors following an objection to the Accounts from a member of the public which resulted in recommendations being agreed on the recording, reporting and accounting for S106 commitments. An update report was reported to Audit & Governance in June 2017 to give members assurance that the necessary improvements in procedures had been made.

6. Significant Governance Issues – Issues raised in 2016/17 Annual Governance Statement

Worth noting from this year's review indicating additional improvements to governance arrangements include:

- A SWAP audit was completed on Committee Decisions which was given a substantial assurance opinion.
- A revised Code of Corporate Governance was reviewed by the Audit & Governance Committee and adopted by Cabinet based on the CIPFA/SOLACE guidance 2016 'Delivering Good Governance in Local Government'.
- SWAP rated the Council with a High Assurance opinion under its recent Combined Assurance – Healthy Organisation assessment. This assurance considers all critical activities and key risks of the Council.
- A number of key policies were reviewed and adopted in the year including Whistle-blowing, Anti-Fraud, Theft and Corruption Policy and Anti-Money Laundering.

Key issues identified in the annual review in relation to improvements required in governance arrangements or internal control procedures are given in the table below.

Key Issue to be addressed	Responsible Officer	Date for implementation
Contract Standing Orders (CSO) & Financial Regulations (FR) require reviewing and updating	Strategic Lead Finance	CSO June/Sept 2017 FR Dec 2017
Recommendations identified in SWAP report on Major Projects as highlighted in the Healthy Organisation Assessment. There will be SWAP follow up 2017/18.	Strategic Lead Finance	September 2017
Recommendations identified in SWAP report on Procurement Audit and highlighted in the Healthy Organisation Assessment. There will be SWAP follow up in 2017/18.	Strategic Lead Finance	September 2017
Completion of Business Continuity Plan	Strategic Lead Housing & Environment	December 2017

Appendix 1 – Assessment of key controls

CORE PRINCIPLE A Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17
Behaving with Integrity Demonstrating strong commitment to ethical values Respecting the rule of law	<p>The Council has a robust Constitution in place that sets out how the Council operates, how decisions are made and the procedures that are followed to ensure that these are efficient, proportionate, transparent and accountable. The Constitution was reviewed during 2016/17; this included revisions to the scheme of delegation to Senior Members and Officers.</p> <p>The Constitution contains the Code of Conduct for staff and members. Officers have a clear understanding of their roles and responsibilities through an approved scheme of delegation and through job descriptions and person specifications. All staff have been asked to confirm that they had read and understood the Code of Conduct and is included in the induction for new members and staff.</p> <p>Registers of gifts & hospitality and member & officer interests were maintained. Individual members' interests are published on the Council's website.</p> <p>The Council has effective arrangements in place for dealing with complaints against members of East Devon District Council. Allegations that a member has failed to comply with the Code of Conduct are assessed initially by the Monitoring Officer, in consultation with an Independent Person, in order to decide whether the allegations merit investigation or another course of action. Details of complaints and the findings of any investigations are reported to the Standards Committee.</p> <p>The Standards Committee comprises five Members of East Devon District Council plus four non-voting independent Persons and regulates and oversees the Code of Conduct. The Committee took an active approach to ensuring high levels of good governance, ethical behaviour and transparency throughout the Council's decision making processes. The Scrutiny Committee monitored and scrutinised the performance and decision making of the authority.</p> <p>All Legal and Financial advice supporting recommendations made to Council committees are documented.</p> <p>The Council has an appointed Corporate Counter Fraud & Compliance Manager and a report of outcomes for 2016/17 and strategy for 2017/18 has been reviewed by the Strategic Management Team and will be reported to Cabinet.</p> <p>The Council has a whistle-blowing, Anti-Fraud and Corruption Policy and Anti-Bribery Policy.</p>

	<p>The Council has a designated Monitoring Officer whom ensures 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 it is considered 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 to the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.</p> <p>Every contract that the Council enters into adheres to the Public Contract Regulations 2015 and follows Contract Standing Orders and requires high standards of transparency and ethics.</p>
CORE PRINCIPLE B Ensuring openness and comprehensive stakeholder engagement	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17
Openness Engaging comprehensively with other organisations that the council needs to work with to improve services and outcomes Engaging with individual citizens and service users effectively citizens	<p>The Council Plan for 2016-20 sets out our main priorities and forms the focus of all that we aim to achieve by 2020.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by the Overview and Scrutiny Committees. These Committees drive the scrutiny process on behalf of the public with a view to improving the delivery of public services.</p> <p>Council Plan outcomes for the year are presented in the Annual report.</p> <p>The Council has a communication Plan 2016-20 which amongst other items sets out we will;</p> <ul style="list-style-type: none"> - continue to keep our website up to date using our adopted principles so that the information clear and easy to find - write policies and strategies for intranet and web - involve residents in deciding what good public services means to them - make the most of opportunities for communities and councils to improve their local areas - tailor our communications to specific audiences using different ways to suit different people (for example, some people prefer social media whereas others prefer a newsletter so we will take this into account and monitor how effective we are) - Rigorous use of Communication and Consultation Plans at the outset of larger projects.

	<p>The Council has an Engagement Policy and evidence of such engagement can be seen from the Council's viewpoint survey.</p> <p>The Council complies with the Local Government Transparency Code 2015 and the Freedom of Information Act publication scheme and has a stated position towards transparency - In 2014/15 32 reports were considered in Part B of committee agendas, this reduced to only 2 in 2015/16.</p>
CORE PRINCIPLE C Defining outcomes in terms of sustainable economic, social, and environmental benefits	
Supporting Principles	Assessment of the effectiveness of key elements of the council's governance processes during 2016-17
Defining outcomes Sustainable economic, social and environmental benefits	<p>The Council Plan for 2016-20 includes priorities and outcomes: Encouraging communities to be outstanding, developing an outstanding local economy, delivering and promoting our outstanding environment and continuously improving to be an outstanding Council.</p> <p>Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the Performance Framework which is recorded and monitored through the Council's performance management systems</p> <p>The Procurement Strategy sets out how the Council will procure goods, works and services by the most economic, efficient, effective and sustainable means to ensure that the needs of the community are met, within a clear framework of accountability and responsibility.</p> <p>The Council has an adopted Local Plan.</p>
CORE PRINCIPLE D Determining the interventions necessary to optimise the achievement of the intended outcomes	
Supporting Principles	Assessment of the effectiveness of key elements of the council's governance processes during 2016-17
Determining interventions Planning interventions Optimising achievement of intended outcomes	<p>The Council operates a Cabinet system including delegation to Lead Members who are members of the Cabinet as defined in the Council's Constitution with a range of thematic portfolios. This gives a clearly defined decision making process.</p> <p>The Council's Constitution contains details of the respective roles and responsibilities of elected members, named officer roles and all officers employed by the Council. The Council's Constitution lists statutory roles for officers which ensure legality, financial prudence and transparency in decisions and transactions.</p> <p>The Council operates an Overview and Scrutiny function. Members can "call in" decisions that have been made but not yet implemented, to enable them to consider whether the</p>

	<p>decision has been taken in accordance with the Council's decision making principles. The Budget and Public Policy framework is detailed in the Council's Constitution.</p> <p>The Scrutiny Committee monitors and scrutinises the performance and decision making of the authority. They may make recommendations to the Full Council.</p> <p>The Council has a robust organisational approach to business planning and performance management. A Performance Framework exists with monthly and quarterly performance monitoring and publication including financial monitoring.</p> <p>The Council has an adopted Financial Plan (2017 – 2022) linked to its Transformation Strategy. The Council annual budget approval involves significant Councillor involvement before adoption.</p>
CORE PRINCIPLE E Developing the entity's capacity, including the capability of its leadership and the individuals within it	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17
Developing the entity's capacity Developing the entity's leadership Developing the capability of individuals within the entity	<p>A corporate Member's induction programme is in place and ongoing training for Members includes the member code of conduct, personal safety and procedures.</p> <p>The Council has investors in people Gold award recognising good policies and procedures are in place and working well which externally validated.</p> <p>This includes having in place a performance framework covering all officers including an appraisal system with targeted, relevant training.</p> <p>There are regular team meetings, and one to ones. The Authority implements the national agreement on pay and conditions of service. The Authority has achieved its commitment to pay the Living Wage for its entire staff.</p>
CORE PRINCIPLE F Managing risks and performance through robust internal control and strong public management	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17
Managing Risk Managing Performance Robust Internal Control Strong Public Financial Management	<p>The Council has an adopted Risk Management Policy with clear accountability and review processes in place. Audit & Governance receive 1/4ly updates on the risk register.</p> <p>The Council has an induction and development programme for Councillors. This is of vital importance, given the technical complexity of the Council's core operations, the decision making structure and the financial value of the transactions controlled by the Authority.</p>

	<p>All statutory Officers receive the training and support to carry out their duties effectively and, as appropriate, participate in continuous professional development.</p> <p>The Cabinet meets on a monthly basis at set times to consider key matters including those on performance. Matters are published in the Forward Plan to enable the public to be aware of future decisions. All reports include reference to the Council Plan.</p> <p>In addition to the quarterly performance reports there are at least quarterly financial reports submitted to Cabinet detailing estimated out-turn against the approved budget.</p> <p>The annual budget is supported by the Strategic Lead Finance commenting upon its deliverability and is supported by an appropriate reserves policy. The final accounts, of which this statement is an integral part, outline the Outturn of the Authority and are prepared in accordance with professional standards and subject to external audit.</p> <p>In order to demonstrate robust internal control the Authority has:</p> <ul style="list-style-type: none"> • A Risk Management Framework linked into the Authority Structure; • An appropriate suite of Anti-Fraud and Corruption Policies; • A balanced budget supported by appropriate reserves • Standards Committee supported by independent Members <p>The Council has undertaken a survey of all its staff in 2016/17 to assess their views on the management of the organisation. The findings have been considered in the production of service plans and priorities.</p>
CORE PRINCIPLE G Implementing good practices in transparency, reporting, and audit to deliver effective accountability	
Supporting Principles	Assessment of the effectiveness of key elements of the Council's governance processes during 2016-17
Implementing good practice in transparency Implementing good practices in reporting Assurance and effective accountability	<p>The Council makes as much information as possible available on its website. Support is also available to those residents who cannot access the internet.</p> <p>The Council publishes its statement of accounts on the website.</p> <p>The Council's external auditors KPMG issued their Annual Findings Report 2015/16 in September 2016 which contained an unqualified opinion on the financial statements. KPMG also gave an unqualified value for money conclusion on the Council's arrangements to secure economy efficiency and effectiveness in its use of resources.</p>

	<p>The Strategic Management Team is responsible for responding to recommendations made by Internal Audit, External Audit.</p> <p>Progress made against the issues identified in the 2015-16 Annual Governance Statement action plan have been monitored by the Strategic Management Team and the Audit & Governance Committee.</p> <p>The Council has a Whistle-blowing Policy which is advertised both inside the Council and on the Council's website. The council updated the Whistleblowing Policy in 2016-17 to encourage and enable staff to raise serious concerns within the council.</p> <p>The Anti-Fraud, Theft and Corruption Policy was updated during 2016/17 and approved by the Audit & Accounts Committee.</p> <p>The Council has a clear process for dealing with Freedom of Information (FOI) requests from the public. It complies with the Transparency Code and has a stated transparency agenda.</p>
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Technical update

East Devon District Council

June 2017

Contents

The contacts at KPMG in connection with this report are:

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	Page
External audit progress report	3
KPMG resources	5
Technical developments	9
Appendices	
1. 2015/16 audit deliverables	13

This report provides the Audit Committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

 High impact  Medium impact  Low impact  For information

This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Darren Gilbert, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.



External audit progress report

External audit progress report

This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

Area of responsibility	Commentary
Financial statements	We completed our interim fieldwork during February 2017, to test the control environment at the Council. There were some minor findings report to management however these were not significant to warrant an Interim Report. For completeness we will report on the control environment in our ISA 260 to the September Audit and Governance Committee.
Value for Money	Our approach for the 2016/17 conclusion was considered as part of our audit planning, see audit plan for key risks raised. These areas will be tested during the final audit visit.
Certification of claims and returns	We have received the 2016/17 Benefit Subsidy Form that the Council submitted to DWP. Planning has commenced for the 2016/17 certification process.
Other work	There is no other work ongoing currently.



Technical developments

100% Business Rates Retention – Department for Communities and Local Government (DCLG) consultation

Level of impact: ● (Medium)	KPMG perspective
<p>The Department for Communities and Local Government (DCLG) has launched a further consultation on its proposals for 100% retention of business rates by the local government sector. This consultation is part of DCLG's ongoing process of engagement and collaboration on the design of reforms. It seeks views on some of the detailed aspects of the design of the reformed system, including:</p> <ul style="list-style-type: none">— the operation of partial resets;— how to measure growth over a reset period;— plans for business rate pooling and local growth zones;— how to best move to a centrally managed appeals risk system;— the approach to tier splits;— the operation of a future safety net; and— proposals for the central list. <p>The consultation closes on Wednesday 3 May 2017. Details are available on the web-site at www.gov.uk/government/consultations/100-business-rates-retention-further-consultation-on-the-design-of-the-reformed-system</p>	<p><i>The Committee should discuss with officers the potential impact of the proposals on the Council and the actions that may need to be taken to address the challenges presented.</i></p>

NAO Report – Planning for 100% local retention of business rates

Level of impact: ● (For Information)

The NAO has recently published a report on *Planning for 100% local retention of business rates*. The report finds that the Department for Communities and Local Government (DCLG) has made good progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives.

DCLG's core objectives for the scheme, due to start in 2019/20, are to drive local economic growth, and to promote financial self-sufficiency for English local government. The NAO report, however, raises questions as to whether DCLG's current planning approach is best configured to deliver a scheme capable of meeting those objectives fully.

By allowing local authorities to retain 100% of business rates, DCLG hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. The report finds that these issues have not been fully examined in DCLG's work to date. Crucially, DCLG has not looked in detail at whether the current scheme, in which authorities retain 50% of business rates, has promoted pro-growth behaviour in authorities.

DCLG is promoting financial self-sufficiency in the sector through the 100% local retention scheme in the context of a long-term reduction in local authority funding. DCLG is reviewing the relative distribution of funding in the sector through a Fair Funding Review, but there is not scheduled to be a Spending Review in which the absolute level of funding in the sector is reviewed, until after the 100% scheme is operational. In this context, the report highlights the risk of implementing a 100% local rates retention scheme that might be technically sound but lacks sufficient funding for the sector to deliver its statutory functions.

The report recognises that DCLG is managing a complex project, involving extensive sector engagement, and made good progress. The NAO, however, found clear risks to the timely delivery of the 100% scheme. Many significant and challenging issues remain outstanding, such as delivering the Fair Funding Review. Some slippage on meeting milestones to date, constraints on DCLG's resources, and DCLG's intention to concentrate important decisions in a short space of time towards the end of the timetable create the potential for pressure in the late stages of the project. The NAO highlights the risk that the pressure to deliver by 2019/20 could result in a scheme that has not been fully tested. The report also stresses the need for DCLG to assure itself that the scheme will deliver its core policy objectives and that these are not overlooked among the technical challenges of designing the scheme to a tight timetable.

A copy of the report can be found on the NAO website at www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates

NAO Report – Housing in England: overview

Level of impact: ● (For Information)

The NAO has recently published an overview of the housing market in England, the Department for Communities and Local Government's (DCLG) housing strategy and the overall housing policy landscape. The report notes that in recent years grown faster than its supply.

Total estimated government spending on housing in England was approximately £28 billion in 2015/16. The most significant element of this is housing benefit. In 2015/16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of DCLG's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.

The report finds that housebuilding has not kept pace with need, and this is particularly acute in London. It notes that DCLG is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market.

The report also finds that housing has become more affordable for existing homeowners, whereas by contrast housing has become less affordable for first- time buyers, and social housing rents have been increasing faster than earnings since 2001-02. Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010/11.

Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.

The report is available from the NAO website at www.nao.org.uk/report/housing-in-england-overview

Comptroller and Auditor General (C&AG) keynote speech: 'The implications of central decision-making on the delivery of frontline services'

Level of impact: ● (For Information)

The Comptroller and Auditor General (C&AG), Sir Amyas Morse, recently gave a keynote speech on *The implications of central decision-making on the delivery of frontline services* at the Strand Group, the Policy Institute at King's College London's signature seminar series.

Drawing on his unique perspective looking across the whole of the public sector, the C&AG explored some of the elements of strategic financial management and planning that influence the success of major reform programmes in connected systems.

The speech examined how central government introduces reforms to locally delivered services to achieve its policy objectives, and the effect of its approach on funding, budgeting and efficiency.

Using the examples of local government, adult social care, and the NHS in England, the C&AG argued that the focus of local public services has shifted from providing 'more for less' to providing 'less for less', and that the lack of joined-up decision-making and funding arrangements between connected systems can often lead to consequences such as:

- unforeseen conflicting objectives for local bodies;
- cost shunting between parts of connected systems; and ultimately; and
- risks of financial, or service, failure locally.

The C&AG explained how year-on-year funding reductions can impact on the accessibility and quality of the services provided, not only for the local government sector, but across the health and social care system more widely.

The C&AG concluded that central government can do more to understand how assumptions about the efficiencies that may be available are likely to affect their objectives across public services, to help them promptly manage major risks. He urged those in the centre to do more to look outside of their 'silos' to understand the complexity and interconnectedness of the environment they are seeking to reform.

Finally, he encouraged central government to work more closely with local bodies to ensure that funding and decision-making arrangements drive not only economy and efficiency, but also effectiveness.

The full transcript of the speech is available on the NAO website at www.nao.org.uk/wp-content/uploads/2017/02/CAG-speech-Kings-College-London-070217.pdf

Technical developments

Public Sector Audit Appointments – Updated terms of appointment and statement of responsibilities published

Level of impact: ● (For Information)

On 23 February 2017, Public Sector Audit Appointments Ltd (PSAA), issued the revised document *Terms of Appointment: Principal Local Authorities and Police Bodies*. There are minimal changes the document issued in September 2015 the re-write is intended to clarify or simplify the arrangements within the document.

PSAA has also issued an updated *Statement of Responsibilities of audited and audited bodies Principal Local Authorities and Police Bodies* applicable for 2017/18. The Statement explains where the differing responsibilities of auditors and of audited bodies begin and end, and sets out what auditors should expect of the audited bodies in certain areas. The Statement is consistent with those issued previously, but removes references to local NHS bodies and smaller authorities.

Both documents are available on the PSAA's website at www.psaa.co.uk/appointing-auditors/terms-of-appointment/



Appendix

Appendix 1

2016/17 audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	April 2016	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	March 2017	Complete
Interim			
Interim report	Details and resolution of control and process issues. Identify improvements required prior to the issue of the draft financial statements and the year-end audit. Initial VFM assessment on the Council's arrangements for securing value for money in the use of its resources.	June 2017	Complete, see Interim Letter
Substantive procedures			
Report to those charged with governance (ISA 260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2017	TBC

Appendix 1

2016/17 audit deliverables (cont.)

Deliverable	Purpose	Timing	Status
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2017	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2017	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2017	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2017	TBC



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Our ref **DG/RA**

Contact **Rob Andrews**
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05 June 2017

Dear Simon

East Devon District Council – Audit progress

We have now completed our planning and interim audit work in line with the timetable set out in our detailed External Audit Plan, dated March 2017. In that plan we indicated that we were planning to present an Interim Audit Report if required, to the Council's Audit and Governance Committee to report on the outcome of the planning and control evaluation phases of our audit. This was to ensure that, in line with good practice, any significant matters are reported to those charged with governance in a timely manner.

As our audit work to date has gone smoothly and we have not identified any significant issues, we no longer consider it necessary to report to the Audit and Governance Committee at this stage.

There are a small number of matters which we have discussed with you and your team. For completeness, we will include these in the ISA260 report which we will produce at the conclusion of the audit and present to the Audit Committee in September 2017.

In the absence of the need for an Interim Audit Report, please feel free to table this letter at the June meeting of your Audit and Governance Committee, to provide them with an update on the progress of our audit.

Yours sincerely

Darren Gilbert
Director, KPMG LLP

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: **15**

Subject: **Full Risk Review May 2017**

Purpose of report: Risk information for the start of the 2017/18 financial year is supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the full review of risks by responsible officers during May 2017

Recommendation: **That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in May 2017.**

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: Simon Davey, Strategic Lead - Finance

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ext 2690

Joanne Avery, Management Information Officer

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ext 2332

Financial implications: No direct financial implications

Legal implications: There are no direct legal implications

Equalities impact: Low Impact

Risk: High 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 – Full list of Operational Risks May 2017](#)
- [Appendix B – Explanations and definitions](#)

Link to Council Plan: Continuously improving to be an outstanding council

Report in full

1. As part of our corporate governance it is appropriate that we maintain and manage a risk register. The risk register allows us to highlight any risks to our organisation and set out how we are going to mitigate against their impact and likelihood.
2. Our risk management policy requires all risks identified by the council to be reviewed bi-annually. Through the month of May the management information officer visited each service area to have a table top review of the full operational risk register. Following this review there were some substantial changes made to the register. The complete operational risk register is provided for the committee to review at [appendix A](#). This is listed by service area and includes all of the control actions. There are now 80 operational risks, all of which have been reviewed and re-scored in light of all mitigating actions being undertaken.
3. Following the review of the operational risks the register was then submitted to SMT to complete a full review of the strategic risks this is still ongoing.
4. All services were asked to highlight any new and emerging risks with four new risks being put forward at this review. For more details about each risk see [appendix A](#).
 - a. Ability to implement changes to the Street Trading rules in East Devon
 - b. Lack of funding to enable the delivery of required infrastructure through lack of sufficient income from the Community Infrastructure Levy and that this holds up the delivery of development.
 - c. Insufficient SANG's land is delivered to adequately mitigate the impacts of development within 10km of the Exe Estuary and Pebblebed Heaths such that development could no longer be permitted within this zone.
 - d. 5 Year housing land supply – risk reinstated
5. In the operational risk register there are no risks currently scored as high. The tables below set out the number of risks in each service by score.

Finance	High	Medium	Low
<i>Risks by score</i>		5	7

Economy	High	Medium	Low
<i>Risks by score</i>		8	8

Housing	High	Medium	Low
<i>Risks by score</i>		10	9

Environment	High	Medium	Low
<i>Risks by score</i>		9	4

Governance & Licensing	High	Medium	Low
<i>Risks by score</i>		8	2

Organisational Development	High	Medium	Low
<i>Risks by score</i>		2	8

6. The strategic risks are still under review – (to be reported in next review)

Strategic Risks	High	Medium	Low
<i>Risks by score</i>			

7. An explanation and definitions of these risks including the risk matrix can be found in [Appendix B](#).

Report to: **Audit and Governance Committee**

Date of Meeting: 29 June 2017

Public Document: Yes

Exemption: None

Review date for release None



Agenda item: 16

Subject: **Monitoring of Section 106 Contributions – Response to Audit Report 2016**

Purpose of report: To advise Members of how the findings of the auditors in 2016 in relation to the monitoring of S.106 Agreements has been addressed.

Recommendation: **For Members to consider the report and how the new system operates.**

Reason for recommendation: To demonstrate to Members that the auditors findings have been addressed.

Officer: Ed Freeman – Service Lead Planning Strategy and Development Management – Ext: 2719 email: efreeman@eastdevon.gov.uk

Financial implications: As set out in the report.

Legal implications: There are no specific legal issues requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information: • [KPMG Report 2016 – Management of S.106 Contributions](#)

Link to Council Plan: Encouraging communities to be outstanding; Developing an outstanding local economy; Delivering and promoting our outstanding environment; Continuously improving to be an outstanding council

Report in full

1. Introduction

- 1.1 In November 2016 KPMG (EDDC Auditors) provided the Council with a report titled 'Management of s106 contributions'. This report included the following finding:

'An absence of summarised financial information to facilitate the monitoring of s106 contributions

The Council currently has no summarised monitoring document which shows the value of all s106 contributions outstanding at any one point, with the trigger which would lead the

contribution to be payable and, if the contribution is liable to be paid, the current status of the collection process. In addition to this the Council does not currently have the information in a format which is consistent with s106 contribution triggers so it cannot determine if triggers have been met.'

- 1.2 This report details the work that has been carried out in response to that report detailing how this work, alongside an already purchased IT package, has put into place a monitoring system to address the points raised.

2. How the findings of the auditor's report have been addressed

- 2.1 Prior to the auditor's report, Development Management had already purchased an IT package to make the monitoring of s106 agreements and contributions more efficient.
- 2.2 The IT package (Exacom) was purchased to allow the introduction and processing of the Community Infrastructure Levy (CIL) but also has a related IT package that allows for the monitoring and recording of s106 contributions.
- 2.3 Exacom is run from within the Council allowing s106 agreements and their related financial details and trigger points to be input into it. This then allows the management of the contributions and allows numerous reports to be run from a wide number of templates.
- 2.4 Between January and May this year the system has been up and running and the time has been used to input over 2,500 s106 agreements into Exacom. This has necessitated the inputting of the relevant details in terms of site locations, application numbers, contributions due, and their related trigger points. Following this, a review has been carried out to assess which agreements have been superseded (by supplemental or varied agreements) and which are no longer valid (i.e. no longer relevant as the planning permission has not been implemented and therefore contributions are no longer due or expected).
- 2.5 As an example, the following screen-shot from Exacom shows how the contributions can be divided by contribution type (e.g. affordable housing, education etc), the potential amounts in pound sterling, those due as a trigger has been hit, the total collected at the date of the report, total allocated to specific projects, total spent and total available to spend (please note that on the following example the moneys spent are not shown):

From 01 January 1983 To 01 December 2035							
Type	Potential	Due	Collected	Interest	Allocated	Spent	Available
Affordable Housing	1,479,540.00	0.00	2,656,973.04	0.00	0.00	0.00	2,656,973.04
BREEAM or similar standards	15,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Business Units	150,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Clyst Honiton Bypass	102,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Building - Cranbr...	484,920.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Building - Cranbr...	42,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Community Building - Honito...	0.00	0.00	500,000.00	0.00	0.00	0.00	500,000.00
Community Building - Seaton...	0.00	0.00	1,700,000.00	0.00	0.00	0.00	1,700,000.00
Community Building - Sidmou...	0.00	0.00	200,000.00	0.00	0.00	0.00	200,000.00
Dwelling/Land Use Restriction	0.00	78,630.20	574,428.27	0.00	0.00	0.00	574,428.27
Educatio - Primary - Sidmou...	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Generic - Land	16,941.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Generic - Primary	4,688,381.17	0.00	2,624.93	0.00	0.00	0.00	2,624.93
Education - Generic - Second...	1,513,051.35	0.00	30,396.68	0.00	0.00	0.00	30,396.68
Education - Generic - Transport	189,392.35	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Budleig...	13,074.30	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Clyst St...	22,983.04	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Exmou...	10,849.08	0.00	2,712.27	0.00	0.00	0.00	2,712.27
Education - Primary - Exmou...	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Monker...	1,740,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Newton...	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Ottery	88,820.65	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Seaton	164,847.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Sidbury	17,058.20	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Sidmou...	126,448.38	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - West Cl...	4,048,800.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary - Woodb...	6,823.34	0.00	0.00	0.00	0.00	0.00	0.00
Education - Primary Exmouth...	105,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Axe...	342,310.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Clyst...	19,154.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Exet...	2,462,399.00	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Exm...	304,299.95	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Otter...	595,196.65	0.00	0.00	0.00	0.00	0.00	0.00
Education - Secondary - Sidm...	278,991.75	0.00	0.00	0.00	0.00	0.00	0.00
Education Generic post Apr 1...	926,586.42	0.00	281,595.27	0.00	0.00	0.00	281,595.27
Education Generic post Apr 15	176,524.00	0.00	0.00	0.00	0.00	0.00	0.00
Education Generic pre Apr 10	513,388.01	0.02	81,171.12	0.00	0.00	0.00	81,171.12
Flood Prevention	85,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Habitat Mit Generic both post...	670,495.00	0.00	749.00	0.00	0.00	0.00	749.00
Habitat Mit Generic both pre...	371,560.00	9.00	21,077.00	0.00	0.00	0.00	21,077.00
Habitat Mit Generic EE post A...	23,499.00	0.00	2,845.00	0.00	0.00	0.00	2,845.00
Habitat Mit Generic EE pre Ap...	127,746.00	0.00	58,368.45	0.00	0.00	0.00	58,368.45
Habitat Mit Generic PH post A...	10,620.00	0.00	626.75	0.00	0.00	0.00	626.75
Habitat Mit Generic PH pre Ap...	43,961.33	0.00	29,551.97	0.00	0.00	0.00	29,551.97
Habitat Mit non-infra both po...	126,805.00	0.00	30,369.40	0.00	0.00	0.00	30,369.40
Habitat Mit non-infra both pre...	8,266.00	0.00	0.00	0.00	0.00	0.00	0.00
Habitat Mit non-infra EE post...	600.00	0.00	0.00	0.00	0.00	0.00	0.00
Habitat Mit non-infra PH post...	41,568.00	0.00	6,345.61	0.00	0.00	0.00	6,345.61
Healthcare Contribution - Sea...	0.00	0.00	93,454.54	0.00	0.00	0.00	93,454.54
Highways - Axminster - Stone...	40,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Bus Contribution	91,003.20	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Buse Detection Eq...	40,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Cranbrook Carclub	10,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Crannaford Crossi...	300,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - GE - Tithebarn Lin...	5,749,994.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Honiton - Turks H...	156,256.00	0.00	73,664.77	0.00	0.00	0.00	73,664.77
Highways - Junction 29 & 30	5,290,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Phase 3 Link Road	100,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - Skypark - Sustain...	100,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways - TRO	0.00	0.00	3,000.00	0.00	0.00	0.00	3,000.00
Highways Generic post Apr 1...	930,858.59	3,000.00	286,169.81	3,270.30	0.00	0.00	289,440.11
Highways Generic post Apr 15	623,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways pre Apr 10	2,420,200.01	0.00	20,000.00	0.00	0.00	0.00	20,000.00
Highways -Ramp Metre	150,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Highways Travel Packs	881,500.00	0.00	0.00	0.00	0.00	0.00	0.00
Homes and Community Agen...	15,027,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Mobile Library Provision - Cra...	100,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Monitoring	339,562.66	0.00	57,625.10	0.00	0.00	0.00	57,625.10
Open Space - Axminster - We...	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Open Space - Exmouth - Bea...	6,720.39	0.00	0.00	0.00	0.00	0.00	0.00
Open Space - Whimble - Allot...	24,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Open Space - Woodland Main...	0.00	4,619.76	30,250.24	0.00	0.00	0.00	30,250.24
Open Space Generic post Apr...	3,683,313.41	63,800.01	1,505,491.20	0.00	0.00	0.00	1,505,491.20
Open Space Generic post Apr...	197,958.51	0.00	3,998.51	0.00	0.00	0.00	3,998.51
Open Space Generic pre Apr 10	922,342.52	17,183.86	1,594,934.37	0.00	0.00	0.00	1,594,934.37
Open Space Landscaping	156,327.60	0.00	5,101.31	0.00	0.00	0.00	5,101.31
Plar Area/Youth - Exmouth - ...	2,240.13	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Axminster - Loret...	745,001.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Axminster - Millw...	407,856.21	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Axminster -Foxhill	0.00	0.00	5,724.00	0.00	0.00	0.00	5,724.00
Play Area - Exmouth - Ashfiel...	0.00	2,263.75	14,823.05	0.00	0.00	0.00	14,823.05

Play Area - Exmouth - Brixing...	2,240.13	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Exmouth - Durha...	0.00	0.00	2,249.53	0.00	0.00	0.00	2,249.53
Play Area - Exmouth - Plumb...	136,800.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Exmouth - Yale Cl...	0.00	3,071.84	20,114.46	0.00	0.00	0.00	20,114.46
Play Area - Honiton - Allhallows	3,816.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Honiton - Honiton...	4,723.20	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Honiton - Littleton	1,695.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Lympstone - Cand...	25,622.52	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Newton Pop	1,677.36	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Ottery - Winters L...	14,125.20	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Seaton - Barnards...	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Seaton - Underfleet	0.00	0.00	32,500.01	0.00	0.00	0.00	32,500.01
Play Area - Talaton	3,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - West Hill	1,676.25	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Whimble - LEAP	40,500.00	0.00	0.00	0.00	0.00	0.00	0.00
Play Area - Woodbury Saltert...	0.00	0.00	31,846.55	0.00	0.00	0.00	31,846.55
Play Area/Youth - Exmouth - ...	2,240.13	13,704.14	89,734.89	0.00	0.00	0.00	89,734.89
Play Area/Youth - Kilmington	14,429.16	0.00	0.00	0.00	0.00	0.00	0.00
Play Area/Youth - Sidmouth - ...	505.20	0.00	390.00	0.00	0.00	0.00	390.00
Posts - Cranbrook - Communi...	140,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Posts - Cranbrook - Country P...	175,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Posts - Cranbrook - New Com...	43,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Posts - Cranbrook - Youth Wo...	132,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Art post Apr 10 pre Apr...	60,000.00	0.00	5,101.31	0.00	0.00	0.00	5,101.31
Public Art post Apr 15	60,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Art pre Apr 10	20,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Public Conveniences	200,000.00	0.00	150,000.00	0.00	0.00	0.00	150,000.00
Railway Works	6,998,002.00	0.00	0.00	0.00	0.00	0.00	0.00
Refuse and Recycling	255,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Septic tank/cesspool and/or s...	26,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Axminster - BMX	1.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Axminster - Millwey Ri...	47,001.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Dunkeswell parish	1,050.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Exmout - Warren Vie...	175,998.00	0.00	23,229.37	0.00	0.00	0.00	23,229.37
Sport - Exmouth - Plumb Par...	106,061.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Exmouth - Rolle pitches	30,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Exmouth - St Johns R...	16,873.04	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Feniton - Cricket Club	30,000.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Feniton - MUGA	26,491.00	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Ottery - Football Club	230,404.65	0.00	0.00	0.00	0.00	0.00	0.00
Sport - Seaton Football Pitch	39,000.00	0.00	233,636.36	0.00	0.00	0.00	233,636.36
Sport - Sidmouth - Hill St Out...	0.00	0.00	23,611.35	0.00	0.00	0.00	23,611.35
Sport - Uplyme - Tennis court	7,058.64	0.00	0.00	0.00	0.00	0.00	0.00
Sport Sidford/Sidbury Cycle T...	12,000.00	0.00	0.00	0.00	0.00	0.00	0.00

2.6 It can be seen from this screen shot that Exacom allows a clear record to be kept of the contributions due along with a breakdown of what the contributions are for. It also enables the Council to track when trigger points are reached so that contributions can be requested (if not already received) whilst allowing a record to be kept of how much has been spent/allocated and how much is outstanding.

2.7 Exacom also allows for a wide range of reports to be run covering the following:

S106 Application Report	S106
S106 Balance Sheet	S106
S106 Covenant List	S106
S106 Deadline report	S106
S106 Deed Summary Report	S106
S106 Finance Report	S106
S106 Financial Covenant Details	S106
S106 Financial Overview	Project
S106 Financial Overview by Parish	Project
S106 Financial Overview by Ward	Project
S106 Financial Report	S106
S106 Incorrect Payment	S106
S106 Live Obligations Tracker (Non-Financial)	S106
S106 Management Tracker	S106
S106 Non-Financial Covenant Details	S106
S106 Non-Financial Report	S106
S106 Other Obligations Overview	Project
S106 Reminder Report	S106
S106 Reviews	S106
S106 Unpaid Demand Notices	S106

- 2.8 As such, the system allows officers to run reports by Parish, Ward, obligations due in an area, and importantly allows officers to run reports at regular intervals to establish which contributions could be due and need invoicing, chasing or are overdue requiring more formal action. It also provides a simple summary of the total potential contributions at any time. It must be noted however that until a development has commenced, any obligations or contributions are not guaranteed and if the development does not go ahead within the approved timescale (usually 3 years) then those contributions will be removed and will no longer show as potential payments. As such, the potential payments are not necessarily a reflection of the payments that will be received and does not reflect the amount of contributions that are, or will be, available to spend.
- 2.9 Exacom enables the contributions to be calculated on the basis of their location and by the topic area that the contribution goes towards (e.g. education, open space, ecology etc). As such, the system enables officers to monitor at any time the contributions that could be forthcoming across the district, or by each parish/ward, and what they are for. It also allows a record of the contributions collected, contributions spent and those available for spending.
- 2.10 The system allows a breakdown of contributions by type and also by area. Below is an example of a breakdown for Dunkeswell. This shows the contribution amounts projected (if all developments proceed) and collected. As the contributions are spent this will be reflected in the information although it should be noted that Education contributions go to Devon County so will not show as being available to spend.

Ward='Dunkeswell'			
Type	Potential	Due	Collected
Affordable Housing	273,987.00	0.00	197,717.82
Education - Generic - Transport	57,313.50	0.00	0.00
Education Generic pre Apr 10	13,643.00	0.00	0.00
Monitoring	0.00	0.00	1,916.40
Open Space Generic post Apr...	37,051.24	0.00	22,191.81
Open Space Generic pre Apr 10	7,395.73	0.00	0.00
Sport - Dunkeswell parish	1,050.00	0.00	0.00
TOTALS	390,440.47	0.00	221,826.03

- 2.11 The system and its information changes on a regular basis when new contributions are added and old contributions removed when no longer payable due to the development not proceeding. As of the date of this report, the information on the system is up to date in terms of contributions due, but is not fully up to date with regard to contributions spent. This is currently held on a different IT system with the intention being that this is moved across to Exacom now that all of the s106 Agreements have been input into Exacom.
- 2.12 In light of the introduction of Exacom, it is considered that the finding of KPMG in relation to the absence of summarised financial information and monitoring of s106 contributions has, and will continue to be, addressed.
- 2.13 Exacom is the system that allows monitoring of the value of all s106 contributions outstanding at any point in time and allows reports to be run advising of the relevant trigger dates for contributions payable (although a separate record needs to be kept detailing how and when these trigger points are chased, or reasons for not chasing). The system also allows reports to be run detailing the current status of contributions allowing

the collection process to be instigated and monitored. In addition, the system allows a determination of whether triggers have been met.

- 2.14 A combination of the Exacom system and other records of the spend and chasing of payments once trigger dates are reached, ensures that the control weakness identified by the auditors has been addressed.

Agenda Item: 17



Audit and Governance Committee

29 June 2017

Audit and Governance Committee

Forward Plan 2016/17

Date of Committee	Report	Lead Officer
21 September 2017	<ul style="list-style-type: none">Internal Audit Activity – Quarter 1 & 2 2017/18Statement of Accounts 2016/17 including Governance StatementReport to those charged with GovernanceAnalysis of consultants fees 2016/17Partnership Register	SWAP Strategic Lead - Finance KPMG Financial Services Manager Management Information Officer
16 November 2017	<ul style="list-style-type: none">Annual audit letterRisk management review – half year reviewFuture of External Audit	KPMG Management Information Officer Strategic Lead - Finance
18 January 2018	<ul style="list-style-type: none">Internal Audit Activity – Quarter 3 2017/18Audit Committee updateCertification Report	SWAP KPMG KPMG
15 March 2018	<ul style="list-style-type: none">Annual Audit Plan 2018/19External Audit PlanAudit Committee updateAccounting Policies Approval	SWAP KPMG KPMG Financial Services Manager