

Date: 24 November 2009
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To: Members of the Audit and Corporate Governance Committee
(Councillors: David Atkins, Peter Bowden, Derek Button, Bob Buxton,
Chris Gibbings, Stephanie Jones, Ken Potter, Tim Wood)

Member Champion for Data Quality – Councillor Graham Troman
Portfolio Holder, Communications – Councillor Stuart Hughes

Chief Executive
Corporate Directors
Internal Audit & Risk Manager
Head of Finance
Head of ICT
Health and Safety Manager
Communications and Improvement Manager

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Audit and Corporate Governance Committee
Tuesday 3 December 2009
Committee Room at 2.30pm

Members of the public are welcome to attend this meeting.

- A period of 15 minutes has been provided to allow members of the public to raise questions.
- In addition, after a report has been introduced by the relevant Portfolio Holder and/or officer, the Chairman of the Committee will ask if any member of the public would like to speak in respect of the matter and/or ask questions.
- All individual contributions will be limited to a period of 3 minutes – where there is an interested group of objectors or supporters, a spokesperson should be appointed to speak on behalf of the group.
- The public is advised that the Chairman has the right and discretion to control questions to avoid disruption, repetition and to make best use of the meeting time.

AGENDA

PART A

Page/s

1 Public question time – standard agenda item (15 minutes)

Members of the public are invited to put questions to the Committee through the Chairman.

- Each individual questioner exercising the right to speak during this public question time is restricted to speaking for a total of 3 minutes.
- Councillors also have the opportunity to ask questions of the Leader and/or Portfolio Holders during this time slot whilst giving priority at this part of the agenda to members of the public.

The Chairman has the right and discretion to control question time to avoid disruption, repetition, and to make best use of the meeting time

2 To confirm the minutes of the meeting of the Audit & Governance Committee held on 29 September 2009.

4 - 7

3 To receive any apologies for absence.

- 4 To receive any declarations of interests relating to items on the agenda.
- 5 To consider any items which in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances.
(Note: Such circumstances need to be specified in the minutes; any Member wishing to raise a matter under this item is requested to notify the Chief Executive in advance of the meeting).
- 6 To agree any items to be dealt with after the public (including the press) have been excluded. There is one item which Officers recommend should be dealt with in this way.
- | | | | |
|----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|-----------|
| 7 | Annual Audit Letter 2008 - 09 | Grant Thornton | 8 – 24 |
| 8 | Use of Resources Action Plan 2009 | Grant Thornton | 25 - 71 |
| 9 | Implementation of International Financial Reporting Standards (IFRS) | Head of Finance | 72 – 76 |
| 10 | Health & Safety responsibilities of Elected Members | Health and Safety Manager | 77 – 78 |
| 11 | Response to ICT Action Plan – ICT Services | Internal Audit & Governance Manager | 79 – 97 |
| 12 | Internal Audit activity report for the period 1st October 2009 to 31st December 2009, to include: <ul style="list-style-type: none"> ▪ Audit Plan Monitoring to 31st December 2009 ▪ Audit Report Executive Summaries | Internal Audit & Governance Manager | 98 – 117 |
| 13 | Corporate Governance activity report for the period 1st October 2009 to 31st December 2009, including: <ul style="list-style-type: none"> ▪ Corporate Risk Management – CRMG Chairman's Progress Report ▪ Corporate Governance Work Plan, incorporating the progress on NFI and other Counter Fraud Initiatives, and ▪ Annual Governance Statement Action Plan (Progress Reports from Heads of Service and Directors) | Internal Audit & Governance Manager | 112 - 122 |
| 14 | The Vice Chairman to move the following:-
"that under Section 100(A) (4) of the Local Government Act 1972 the public (including the press) be excluded from the meeting as exempt information, of the description set out on the agenda, is likely to be disclosed and on balance the public interest is in discussing this item in private session (Part B)." | | |

Part B

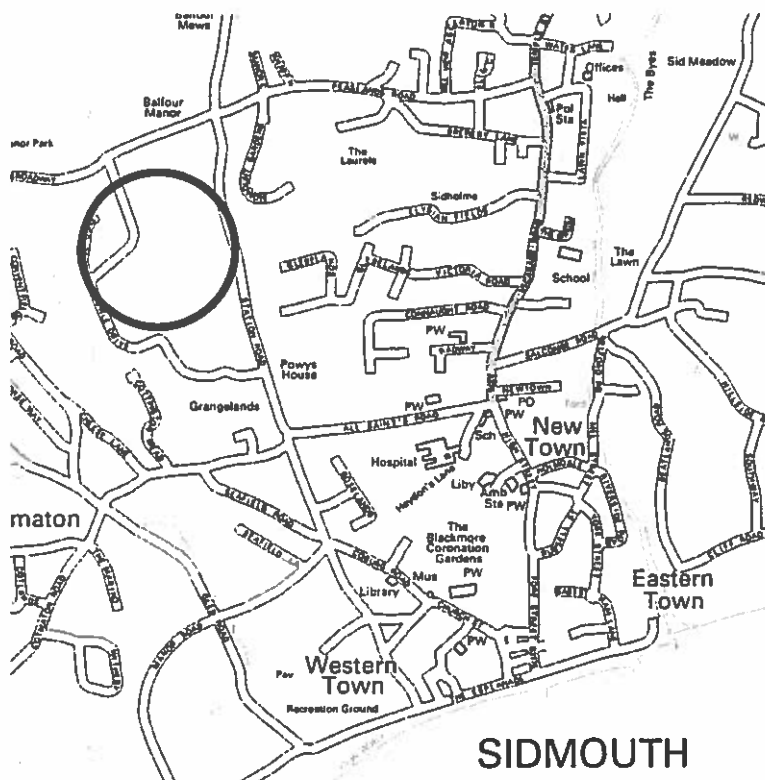
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|----|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| 15 | Results of Internal Computer Audit Tender Exercise | Para 3 Schedule 12A Information relating to the financial or business affairs of any particular person (including the authority holding that information). | 123 - 125 |
|----|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|

Members please note:

You must declare any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.

- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless you have obtained a dispensation from the Council's Standards Committee or where Para 12(2) of the Code can be applied.
Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only at meetings where the public are also allowed to make representations. If you do remain, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation.
- You also need to declare when you are subject to the party whip before the matter is discussed.

Getting to the Meeting – for the benefit of visitors



The entrance to the Council Offices is located on Station Road, Sidmouth. Parking is limited during normal working hours but normally easily available for evening meetings.

The following bus service stops outside the Council Offices on Station Road:
From Exmouth, Budleigh, Otterton and Newton Poppleford – 157

The following buses all terminate at the Triangle in Sidmouth. From the Triangle, walk up Station Road until you reach the Council Offices (approximately ½ mile).
From Exeter – 52A, 52B
From Honiton – 52B
From Seaton – 52A
From Ottery St Mary – 379, 387

Please check your local timetable for times.

The Committee Suite has a separate entrance to the main building, located at the end of the visitor and Councillor car park. The rooms are at ground level and easily accessible; there is also a toilet for disabled users. The doors to the civic suite (meeting rooms) will be opened ¼ hour before the start time of the meeting. Councillors are reminded to bring their key fobs if they wish to access the area prior to that time. A hearing loop system will be in operation in the Council Chamber.

For a copy of this agenda in large print, please contact the Democratic Services Team on 01395 517546

EAST DEVON DISTRICT COUNCIL
Minutes of a Meeting of the
Audit and Corporate Governance Committee
held at the Council Chamber, Knowle, Sidmouth,
on Tuesday 29 September 2009

Present: Councillors:
Ken Potter (Chairman)
Tim Wood (Vice-Chairman)
David Atkins
Peter Bowden
Bob Buxton
Chris Gibbings
Stephanie Jones

Also Present: Councillors:
Andrew Moulding – Portfolio Holder – Resources
Graham Troman – Member Champion for Data Quality
Barrie Morris, Grant Thornton
Kate Jefferies, Grant Thornton

Officers: Tanith Cox, Internal Audit and Governance Manager
Simon Davey, Head of Finance
Christopher Holland, Democratic Services Officer
Diccon Pearse, Corporate Director
Mark Williams, Chief Executive

Apologies: Councillors:
Derek Button

The meeting started at 4.30 pm and ended at 6.37 pm

***8 Public Questions**

No questions were raised by members of the public or Councillors.

***9 Minutes**

The minutes of the meeting of the Audit and Governance Committee held on 25 June 2009 were confirmed and signed as a true record.

***10 Exclusion of the Public**

RESOLVED: that the classification given to the documents to be submitted to the Committee, be confirmed, and that the reports relating to exempt information, be dealt with under Part B.

***11 Audit of Accounts 2008/09 – Annual Report by external Auditors**

Members considered the report of Grant Thornton, the Council's external auditors, which summarised the principal matters arising from their audit of the 2008/09 Statement of Accounts, the Annual Governance Statement and the Use of Resources report.

It was noted that the issues raised had been discussed with the Head of Finance and other appropriate staff and any adjustments or changes suggested had been accepted and adopted by Officers. It was noted that the auditors had commended the Council for its overall improvement in the accounts preparation process. The Council had made good progress in improving the accuracy of its accounts and the auditors had been impressed with the way the Finance team had effectively managed the adjustments and changes recommended.

***11 Audit of Accounts 2008/09 (cont'd)**

It was noted that with regard to Pensions FRS 17 liability, there had been an underestimation of £14.7 million for Devon. The Council's share of that difference had been calculated as £358,000, a figure greater than that recorded in the published accounts using the actuarial calculation of the percentage share of the assets. Members were satisfied with the figures in the published accounts and agreed to not to revise it to the latest figure.

It was noted that although the Council had scored mostly 2's (performing adequately) with regard to the Use of Resources report, this was largely due to new assessment criteria being more demanding from 2008. Members commented that they hoped subsequent reports would show an improvement in scoring achieved.

The Chairman thanked the Finance Team for their work in producing the Statement of Accounts through what was a challenging period.

- RESOLVED:**
- 1) that the report be noted.
 - 2) that the actuarial calculation method of the percentage share of assets when calculating FRS liability be continued.

***12 Leisure East Devon update**

Members considered the report made by Councillor David Cox, the Council's nominated representative on the Leisure East Devon Board and David Pagett, Chief Executive of Leisure East Devon (LED). At the meeting held on 25 June 2009 Members had requested that Leisure East Devon representatives clarify why the LED General Fund level was at £600,000 when the Council was continuing to support the service financially.

It was noted that the Charity Commission had advised that the level of the General Fund would be appropriate at £1.2 million which was 3 months cover. Members noted that since the transition from a Council service to that of an 'arms length' business, LED had performed well but was now competing against private companies. Costs were increasing and the closure of Rolle Colledge in Exmouth had significantly impacted on profitability. Although money was being made by the organisation, funds were not high enough to warrant the considerable investment on capital expenditure required. Buildings operated by LED in many cases needed enlarging although the service provided by the Council's Property Services team was excellent.

Members commented that with Local Government finances being continually under pressure they were ultimately looking to reduce the level of fees and costs to the Council and hoped this could be achieved as a result of the increasing profitability of LED.

- RESOLVED:** that the report be noted.

(Councillor Peter Bowden declared a Personal interest as he was a Board member of Leisure East Devon, and remained in the Chamber to speak).

***13 Internal Audit Activity Report for 1 July – 30 September 2009**

The Committee considered the report of the Internal Audit and Governance Manager relating to Internal Audit activity for the first quarter and second quarter and indicated where audits were progressing well and identified those that had slipped against the internal audit plan. Members noted the progress made and the audits that remained outstanding and The Internal Audit & Governance manager emphasized that all of the outstanding audits had been commenced during the 1st and 2nd quarters and that she expected them to be concluded before the next Audit & Governance Committee meeting.

*13 **Internal Audit Activity Report for 1 July – 30 September 2009**

The report also gave brief details on the staffing situation within the Council's Audit and Governance section and gave an overview of the use of temporary contractors.

- RESOLVED:** that the following reports be noted and kept under review:
- Audit Plan Monitoring Document
 - Audit Performance Indicators
 - Internal Audit Report Executive Summaries

*14 **Corporate Governance Activity Report for 1 July - 30 September 2009**

Members of the Committee considered the report of the Internal Audit and Governance Manager regarding the Corporate Governance Activity for the period 1 July to 30 September 2009, which outlined the work undertaken to ensure the Council's corporate governance arrangements were effective, and in compliance with its local Code of Corporate Governance.

- RESOLVED:**
- 1) that the Updated Corporate Risk Management Policy & Strategy be approved
 - 2) that the progress made so far on the Corporate Governance Work Plan for 2008/09 be noted
 - 3) that progress on the following reports be noted and kept under review:
 - Corporate Risk Management
 - Annual Governance Statement - Action Plan

*15 **Officer and Member Expenses Report**

Members of the Committee considered the report of the Internal Audit and Governance Manager which set out the Council's policies relating to Officer and Member expenses.

The Audit and Governance Committee requested the report at its meeting on the 25 June 2009. That meeting requested that a review of Councillor and Officer expenses be undertaken as a high priority to make sure that the policy was appropriate, and that adequate checks were in place. In testing the adequacy of the procedures relating to Members' expenses a random sample of claims was examined.

Members agreed that future checking should be reasonable and commensurate with the level of risk involved. This may involve referring back for clarification with Members. Any claims, which raised concerns, would be referred to the Monitoring Officer.

- RESOLVED:**
- 1) that the report be noted.
 - 2) that Democratic Services continue to be responsible for undertaking reasonable checks and authorising Members' expense claims.
 - 3) that the Member Induction programme include how and what to claim through Member Expenses.

***16 Performance Indicators for Data Quality Checking**

Members of the Committee considered the report of the Internal Audit and Governance Manager regarding a programme of Performance Indicators (PIs) relating to the 2008/09 year which had been drawn up for data quality checking by Internal Audit during April to June 2009. The objective was to ensure that Performance Indicators were correct and that their supporting documentation was adequate to satisfy the requirements of the Council's external review agencies.

Members noted that Internal Audit found that most PIs were either incorrect or needed remedial action. It was noted however, that the recommendations made to Heads of Service were accepted and would be implemented to ensure PI reporting was accurate and adequately documented in future years.

The Portfolio Holder, Resources commented that he was disappointed that the Council appeared to have fallen behind with regard to data quality. He stressed that the data required was essential in the running of the Council and that the Council must improve in future.

RESOLVED: that the Committee supports the recommendations to improve the quality of council data as outlined in the report.

***17 Re-representation of the 2008-09 Annual Statement of Accounts and Annual Governance Statement and Associated Action Plan**

Following the report earlier in the meeting by the Council's external auditors, Grant Thornton, Members of the Committee formally approved the Annual Statement of Accounts 2008-09, the Annual Governance Statement and Letter of Representation.

- RESOLVED:**
- 1) that the Annual Statement of Accounts 2008-09 be approved and signed by the Chairman.
 - 2) that the Annual Governance Statement 2008-09 be approved and signed by the Chairman.
 - 3) that the Letter of Representation be approved and signed by the Chairman.

***18 Exclusion of the Public**

RESOLVED: that under Section 100(A) (4) of the Local Government Act 1972 the public (including the press) be excluded from the meeting as exempt information is likely to be disclosed and on balance the public interest is in discussing the items in private session (Part B).

***19 Computer Audit and Internal Audit Tender**

Members of the Committee considered the report of Internal Audit and Governance Manager regarding the award criteria and methodology for a future Computer Audit Tender and an Internal Audit Tender.

- RESOLVED:**
- 1) that the award criteria and methodology for a future Computer Audit Tender be approved.
 - 2) that the award criteria and methodology for a future Internal Audit Tender be approved.

Chairman Date



East Devon District Council

Annual Audit Letter 2008-09

November 2009

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1 Introduction and key messages

Purpose of this letter

- 1.1 This annual audit letter summarises the key issues arising from the work that we have carried out at East Devon District Council ('the Council') during our 2008-09 audit. The letter is written in an accessible style, designed to communicate our key messages to the Council and external stakeholders, including members of the public. The letter will be published on the Council's website.

Responsibilities of the external auditors and the Council

- 1.2 This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).
- 1.3 We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.
- 1.4 Our annual work programme is set in accordance with the Code of Audit Practice issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our Code of Audit Practice conclusions.
- 1.5 It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

What this letter covers

- 1.6 This letter covers our 2008-09 Code audit, including key messages and conclusions from our work in:
- auditing the 2008-09 year end accounts (section 2); and
 - assessing the Council's arrangements for securing economy, efficiency and effectiveness in the use of its resources (section 3).
- 1.7 We have not repeated the recommendations agreed with the Council during the year in this letter. A list of the reports that contain these recommendations can be found at appendix A. Appendix B sets out our actual and budgeted fees for 2008-09.

Key messages for the Council

- 1.8 We issued an unqualified audit opinion on the Council's financial statements. We commended the Council for their overall improvement in the accounts preparation process. Whilst a number of amendments were identified, the Council has made good progress to improve the accuracy of their accounts, and to ensure that these amendments were processed in 2008-09. We will continue to work with the Council to continue this progress.
- 1.9 We issued a qualified audit opinion on the Council's arrangements to secure value for money. Whilst in the main, the Council performed well under this new assessment, the arrangements around risk management and internal control were not adequate. The key factors contributing to this were:
- the corporate risk register has not been formally updated or monitored by members during the 2008-09 financial year;
 - there is limited proactive fraud work carried out due to the resource pressures faced by Internal Audit; and
 - there have been continued problems faced in delivering the internal audit service due to resourcing issues.
- 1.10 For 2009-10, the Council needs to focus on the areas for improvement as well as build on its use of resources scores and increase the focus on demonstrating clear outcomes.
- 1.11 The context for these key messages can be found in this letter and management has agreed to implement our recommendations in these areas.

2 Audit of accounts

Introduction

- 2.1 We issued an unqualified opinion on the Council's 2008-09 accounts on 29 September 2009, in line with statutory requirements. Our opinion confirms that the accounts for the Council present fairly the financial position of the Council as at 31 March 2009 and its income and expenditure for the year then ended.
- 2.2 Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to "those charged with governance" (which is the Audit and Governance Committee at the Council). We presented our annual report to those charged with governance to the Audit and Governance Committee on 29 September 2009 and summarise only the key messages in this letter.

Audit of the accounts

- 2.3 We commended the Council for their overall improvement in the accounts preparation process. Whilst a number of amendments were identified, the Council has made good progress to improve the accuracy of their accounts, and to ensure that these amendments were processed in 2008-09. We will continue to work with the Council to continue this progress.
- 2.4 The key recommendations identified from our work relate to classification within various statements, affecting working capital, the statement of movement in general fund balance and cash flow statement. In addition the disclosure of a number of notes to the accounts could be improved and we are working with the Council to support continued progress in this area.
- 2.5 As a result of our audit, as reported to those charged with governance, a number of amendments were made to the accounts prior to their re-approval by the Audit and Governance Committee on 29 September 2009. In particular:
- reclassification of £3.2 million from earmarked reserves to the general fund for balances which did not meet the accounting requirements of earmarked reserves;
 - decrease in expenditure of £0.25 million for a loan which had been treated as expenditure; and
 - revision of the cash flow statement which contained a number of errors.
- 2.6 Our annual report to those charged with governance reported one unadjusted item which would have decreased the deficit in the income and expenditure account by £358,000, as this did not materially affect the accounts. This related to the valuation of the pension assets in the pension fund administered by Devon County Council, whose auditors confirmed the estimated valuation performed by the actuary to be

understated. Due to the difference in timing between the preparation of the accounts and our subsequent audit and the availability of information in relation to the pension fund, it is not unusual for a difference to arise as finalised information is available in time for the audit.

Financial performance

- 2.7 The Council has managed a challenging financial position during 2008-09, with reducing income across a number of services during the economic downturn. The Council delivered its general fund service plans for a total net cost of £54.1 million which included a reduction in asset values of £34.3 million. Net expenditure on services was £15.6 million and the general fund balance increased from £3.7 million to £7.5 million as at 31 March 2009, principally as a result of a reclassification of other reserves.. This balance is equivalent to 37% of the original net budget for 2008-09.
- 2.8 The budget for net expenditure on services was set for the 2009-10 financial year at £14.7 million by the Council in February 2009.
- 2.9 Our review of the latest quarterly revenue outturn report, to the end of month six (September 2009), shows the Council is forecasting an under spend of £576,000 against this budget. This forecast underspend primarily relates to:
- additional grant income for benefits administration of £109,000; and
 - pay award savings of £198,000.
- 2.10 The estimated general fund balance at 31 March 2010 is £3.0 million after use of earmarked reserves of £1.8 million. However, this does not take account of the transfer of reserves to the general fund as a result of our accounts audit. We will continue to monitor the Council's financial standing and its performance against budgets throughout the year.

Financial systems

- 2.11 We undertake sufficient work on key financial controls for the purpose of designing our programme of work for the financial statements audit. Our evaluation of the Council's key financial control systems did not identify any control issues that present a material risk to the accuracy of the financial statements.
- 2.12 We completed a full review of Internal Audit in 2007-08, to assess its overall level of compliance against the CIPFA internal audit standards, and refreshed this in 2008-09. Whilst the overall arrangements in place for the delivery of the Internal Audit programme are considered to be meeting minimum standards, there are a number of significant opportunities for improvement which have been identified, in particular the achievement of the Internal Audit Plan.
- 2.13 Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal control system, and concluded that, there are no material weaknesses which could adversely impact on

the council's financial statements. No material weaknesses have been identified through our review of the key financial systems.

- 2.14 We followed up the action plan arising from the 2007-08 interim and final accounts audits and concluded that good progress had been made in addressing previous audit recommendations.

Annual Governance Statement

- 2.15 We have reviewed the Council's arrangements and process for compiling the Annual Governance Statement (AGS). In addition, we read the AGS and consider whether the statement is in accordance with our knowledge of the Council. Our review has confirmed the statement to be satisfactory although would be enhanced through the disclosure or weaknesses in relation to accuracy of performance indicators following completion of internal audit work in this area and re-inclusion of licensing administration from the 2007-08 AGS action plan which had not been implemented. In addition we requested further disclosure around the weakness in risk management arrangements. All of the changes were processed in the final version of the AGS presented approved in September 2009.

Dealing with the public.

- 2.16 We have received a number of queries from local residents and interested parties throughout the year and have undertaken appropriate work in order to consider any issues that we considered were relevant to our statutory responsibilities. We reported as part of last year's annual audit letter issues relating to the local government review and have been satisfied that the Council has acted appropriately following our comments. There have been no other issues that impacted upon our final accounts work or audit opinion for 2008-09.

International Financial Reporting Standards

- 2.17 From 2010-11, the Council is required to prepare their Statement of Accounts under International Financial Reporting Standard (IFRS) based on an IFRS Code of Practice on Local Authority Accounting prepared by CIPFA. We have had initial discussions with relevant officers regarding the Council's readiness for conversion to IFRS and the preparation they have undertaken to date.
- 2.18 We are pleased to note that the Council are making positive steps towards conversion and in working in partnership with other Councils locally through the Devon Accounting Group for IFRS implementation, led by Devon County Council. However the Council has not presented an action plan or set out the potential implications of IFRS to the Audit and Governance Committee, or any other committee.
- 2.19 We will continue to liaise with Council officers during the year to provide advice and support to the Council on the required accounting treatments under IFRS, where this will not compromise our independence, through sharing our experiences of IFRS transition from other public sector bodies and providing our views on the Council's interpretation of the draft IFRS Code of Practice, which will

form the basis for the preparation of the Council's first set of IFRS accounts in 2010-11.

Certification of grant claims

- 2.20 In addition to our Code responsibilities, we are required, acting as agents of the Audit Commission, to certify a the Council's grant claims and returns, in accordance with the following arrangements:
- claims below £100,000 are not subject to certification;
 - claims between £100,000 and £500,000 are subject to a reduced, 'light – touch' certification; and
 - claims over £500,000 will be subject to a certification approach determined by the auditor's assessment of the control environment and management preparation of claims.
- 2.21 We have already completed the certification of the majority of claims for the Council relating to the 2008-09 financial year and have met all government department deadlines set under these arrangements so far. Our certification work is expected to be complete by the end of December 2009 after which we will prepare a separate grants report, summarising issues from the 2008-09 work, to facilitate continuous improvement.
- 2.22 Based on the work completed to date, the Council has shown a significant improvement in the accuracy of the claims submitted and, as a result, there has been a reduction in both amendments to claims and qualifications.

3 Use of resources

Introduction

- 3.1 We issued our annual VFM conclusion on 29 September 2009, at the same time as our accounts opinion, in line with statutory requirements. We concluded that, for 2008-09, the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009, with the exception of managing risks and maintaining a sound system of internal control.

2008-09 Value for money conclusion and use of resources assessment

- 3.2 Auditors inform and limit their value for money conclusion by reference to relevant criteria under the Audit Commission Code of Audit Practice. These criteria cover particular areas of audited bodies' arrangements specified by the Audit Commission under the Code of Audit Practice. From 2008-09, the key lines of enquiry for the scored use of resources assessment also form the criteria for the value for money conclusion, together with any other relevant knowledge that we had gathered as a part of our audit. Failure to achieve an 'adequate' assessment in any one or more area results in either an "except for" or "adverse" overall conclusion, in respect of those specific areas.
- 3.3 We assessed the Council as achieving level two in all of the areas covered by our use of resources assessment and that resulted in 'adequate' conclusions for the relevant criteria within our overall value for money conclusion, with the exception of managing risks and maintain a sound system of internal control which received an 'inadequate' conclusion.
- 3.4 The key factors contributing to this were:
- the corporate risk register has not been formally updated or monitored by members during the 2008-09 financial year;
 - there is limited proactive fraud work carried out due to the resource pressures faced by Internal Audit; and
 - there have been continued problems faced in delivering the internal audit service due to resourcing issues.
- 3.5 These assessments, and their impact on the overall 2008-09 conclusion for the Council, are summarised in table 1.

Table 1: Components of value for money conclusion 2008-09

Area	Source of evidence	Use of resources Score	Arrangements adequate?
Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	KLoE 1.1	2	Yes
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	KLoE 1.2	2	Yes
Is the organisation's financial reporting timely, reliable and does it meet the of internal users, stakeholders and local people?	KLoE 1.3	2	Yes
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	KLoE 2.1	2	Yes
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	KLoE 2.2	2	Yes
Does the organisation promote and demonstrate the principles and values of good governance?	KLoE 2.3	2	Yes
Does the organisation manage its risks and maintain a sound system of internal control?	KLoE 2.4	1	No
Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?	KLoE 3.3	2	Yes

Key for KLoE scores:
1 - Below minimum requirements - inadequate performance
2 - Meets minimum requirements - performs adequately
3 - Exceeds minimum requirements - performs well
4 - Significantly exceeds minimum requirements - performing excellently

Note that KLoE 3.1 'Managing natural resources' and KLoE 3.2 'Managing assets' were not applicable to the Council for 2008-09

3.5 The provisional findings from our 2008-09 use of resources assessment were reported to the Audit and Governance Committee in September 2009, as part of our report to those charged with governance (ISA260 report). We are pleased to report that, subsequent to our ISA260 report, these provision scores were confirmed following the Audit Commission's national quality control.

3.6 The Council's use of resources scores in the three themes, drawn from the scores above, are summarised in table 2.

Table 2: Use of resources scores

Theme	2009
1 Managing finances	2
2 Governing the business	2
3 Managing resources	2

- 3.7 We assessed the Council as performing adequately (level two) in the 'managing finances', 'governing the business' and 'managing resources' themes. These scores are representative of the assessments of Councils nationally. This is a result of the new, more demanding assessment criteria which require, amongst other things, demonstration of improved service delivery outcomes, rather than simply robust arrangements and improved outputs, which allowed Councils to achieve higher assessment ratings in the past.
- 3.8 The key achievements for the Council identified in our assessment, include:
- there are established performance management arrangements in place with regular reporting to members with performance data being used effectively to make decisions about future service delivery;
 - a commitment to improve the quality of services provided across the Council, by implementing systems reviews in underperforming services and identifying opportunities to develop existing processes; and
 - members provide effective challenge to the Council and, through the use of personal development plans, are developing the skills that are needed to better perform their individual roles.
- 3.9 The key actions for the Council, arising from our assessment, include:
- demonstrating integration of corporate documents with clearer links to the corporate priorities and showing how individual services contribute to the delivery of corporate priorities;
 - developing robust arrangements for risk management, including a corporate risk register and consideration of partnership risks; and
 - improving the management of the workforce, in particular that initiatives to reduce staff absences are effective.
- 3.9 We have agreed an action plan with management to implement these and our other detailed recommendations and will follow-up the progress on the implementation of these as part of our 2009-10 audit.
- 3.10 A summary of our detailed finding for each theme area is provided in the following paragraphs. This highlights the key areas, or characteristics, where the Council is

performing well as well as those areas where it needs to focus in order for it to improve its assessment.

Managing finances

- 3.11 This theme focuses on sound strategic and financial management, that is, whether the Council plans its finances to deliver its priorities, the extent to which it has a sound understanding of its costs and performance, and whether its financial reporting is timely, reliable and meets the needs of its population. We assessed the council as achieving level two, adequate performance, in this area.
- 3.12 The Council's corporate strategy sets out its seven corporate priorities which were developed in consultation with stakeholders and interested parties. The strategy is supported by service plans, although links between the strategy and service plans could be made clearer through the introduction of corporate priority delivery plans, which demonstrate how the work and achievements of services contribute to the delivery of the priorities. The resources to deliver the strategy are set out in the financial strategy and annual budgets, as well as in the service plans, which is underpinned by a robust budget setting process.
- 3.13 There is a sound understanding of the performance of services in priority areas, and performance information is presented to members on a quarterly basis. This has informed the systems reviews that have been focussed on those areas where performance improvements are required. These service reviews have been undertaken within the planning, benefits and housing service areas and, whilst the benefits have not yet been fully realised, there has been a considerable improvement in performance. The Council has developed a challenging three year efficiency target for the period 2008-11 and has successfully delivered the first years targets. The Council will need to continue its robust budget and planning approach if the full target is to be achieved.
- 3.14 Each month, budget monitoring reports are presented to the Executive Board and include explanations for variances identified in service areas. Following feedback from members, the Council have formed a review group to revise the format and content of these budget monitoring reports and are using this opportunity to better integrate financial and performance information to aid the decision making process and ensure funds are allocated to priority areas. The Council has made good progress in improving the overall quality of the statement of accounts and the process for preparing them, both in terms of their accuracy and working papers which support them.

Governing the business

- 3.15 This theme focuses on strategic commissioning and good governance, in particular how well the Council governs itself and commissions services that provide value for money and deliver better outcomes for local people. We assessed the Council as achieving an overall theme score of two, adequate performance.

- 3.16 The Council's corporate priorities have been developed in consultation with local stakeholders and it is working well to deliver these priorities through commissioning and procuring the appropriate services required. Where these are directly within the control of the Council, it can demonstrate how processes are resulting in improved outcomes in key services and, following the systems reviews performed in priority areas during the year, has shown that significant improvement in performance can be delivered. In addition, the Council procures a high proportion of goods and services locally, which also supports its priority around thriving economy.
- 3.17 There are established arrangements in place for performance management, with all performance indicators supporting corporate priorities being reported to members quarterly and the top 20, which are based on risk and priority, being updated and reported monthly. A review of indicators in the bottom quartile has informed the decision as to which services were selected for a detailed systems review and the Council is developing integrated finance and performance reporting to better inform short and medium term decision making. Internal audit test a sample of performance indicators each year to verify the accuracy of data reported by the Council.
- 3.18 The Council has robust governance arrangements in place, setting out the role and responsibilities of individuals and committees in its corporate strategy, which is published on the website, and through codes of conduct. Personal development plans have been introduced and are being effectively used in member development and members provide effective challenge to the Council. There are arrangements in place for whistle blowing and receiving complaints which have operated effectively during the year. A review of partnership arrangements has been started and this has highlighted the need for further work to clarify the Council's role across the range of partnerships that it is involved within, the resources contributed, the governance and performance monitoring arrangements.
- 3.19 Arrangements for risk management and internal control have deteriorated since 2007-08. The corporate risk register has not been formally updated or actively monitored by members, such as the Audit and Governance Committee, during 2008-09. The Council's internal audit service has continued to experience resourcing issues and this has impacted on the delivery of the internal audit plan for the year, resulting in a reduced programme of work. Whilst an anti-fraud forum as been established, there has been limited proactive counter fraud and corruption work performed due to the pressures face by internal audit. These issues resulted in a score of one for KLoE 2.4 and a qualified use of resources conclusion in respect of the arrangements for risk management and internal control, as reported and discussed with the Council in September 2009. We recognise that significant actions are now being taken to address these areas of concern

Managing resources

- 3.20 This theme considers areas which have not, previously, been assessed on their own in detail, the use of natural resources and capital assets and workforce. As a result, we have only considered the arrangements and outcomes in place to ensure the Council effectively manages its workforce, which we assessed as being adequate, level two.

- 3.21 Use of natural resources and strategic asset management were not assessed in 2008-09 because the Audit Commission has prescribed that the introduction of themes within managing resources themes will be phased over three years.
- 3.22 The Council has a workforce and development strategy, which is supported by a range to human resources policies and succession planning is incorporated into the service planning process. Staff turnover remains low, although the absence rate is the highest in Devon and above the national average, with particularly high long term absence rates. In the Best Councils survey, East Devon achieved a top 25 for place for the sector 'Fair Deal', which assesses whether staff are happy with their salary and benefits, but in the council has yet to achieve level two in the equalities standards.

Looking ahead

- 3.23 We agreed our indicative 2009-10 audit fee with the Council in March 2009. Our fee letter set out our initial assessment of the local risk based use of resources work we plan to carry out to support our VFM conclusion. This comprised:
- a challenging revenue budget with reduced government funding, reduced income streams and increasing demand for services;
 - whether the constitution and other key regulatory documents to remain fit-for-purpose;
 - effectiveness of the internal audit function as a result of staffing issues; and
 - revised processes to document and monitor corporate risks.
- 3.24 Through discussions with the Council, we will confirm whether these risks remain relevant, and whether any new risks need to be considered as part of our use of resources work.

4 Closing remarks

Introduction

- 4.1 This letter was agreed with the Chief Executive and Corporate Director and presented to Audit and Governance Committee on 3 December 2009.
- 4.2 We would like to take this opportunity to express our appreciation for the assistance and cooperation provided during the course of the audit. Our aim is to deliver a high standard of audit, which makes a positive and practical contribution that supports the Council's own agenda. We recognise the value of your co-operation and support.

Grant Thornton UK LLP
November 2009

Appendix A 2008-09 reports issued

Report	Date issued
Audit plan	March 2008
Interim report	June 2009
Annual report to those charged with governance	September 2009
Use of Resources	December 2009
Annual audit letter	December 2009
Grants report	Due January 2010

Appendix B Audit and other fees 2008-09

Audit area	Budget 2008-09	Actual 2008-09
Financial statements *	£62,520	£62,520
VFM conclusion / Use of resources	£39,400	£39,400
Total Code of Practice fee	£101,900	£101,900
Certification of grant claims and returns	£26,000	£TBA
All other services (paid to the Audit Commission)	£5,972	£5,972



Grant Thornton

Use of Resources 2009

East Devon District Council

November 2009

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Appendices

- A Action plan**
- B CAA and the new Use of Resources framework**
- C Scoring criteria and rules**
- D KLOEs specified for assessment in 2008-09 and 2009-10**
- E Identifying outcomes, outputs and achievements**

1 Key messages

1.1 Context

Under the Audit Commission's Code of Audit Practice we are required to reach a conclusion on whether East Devon District Council (the Council) has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the "VFM conclusion"). This report presents the results of our value for money and use of resources work in 2008-09. We have separately issued our annual report to those charged with governance (ISA260). The key messages from both of these reports will be summarised in the annual audit letter.

We described in our Audit Plan (March 2008) the areas of audit work that provide us with the assurance that contributes to our annual VFM conclusion. This report sets out our findings from these pieces of work:

- our assessment of the Council Use of Resources (UoR), using the three themes within the Audit Commission's new assessment framework themes and Key Lines of Enquiry ('KLoE');
- specific work on locally identified audit risks, which contribute to our VFM conclusion by feeding into our UoR assessment scores; and
- risk-based spot check work to assess the quality of data underlying a small sample of key performance indicators.

In 2009, the Audit Commission introduced a new framework and methodology for Use of Resources (UoR) assessments across local government, police forces, fire authorities and primary care trusts. The new framework emphasises outcomes over processes, and brings new areas into the assessment such as environmental and workforce management. The new assessment presents a more robust challenge than the old framework, based on different scoring criteria. It should be noted, therefore, that changes from prior year scores do not necessarily indicate changes in performance. Further detail about the new framework and the link to Comprehensive Area Assessment (CAA) are set out in appendix B.

1.2 Key messages

The new use of resources assessment considers how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people. The assessment comprises three themes that focus on sound and strategic financial management; strategic commissioning and good governance; and the management of natural resources, assets and people

The Council's UoR scores in these three themes are summarised in the table below. A score of 1 indicates inadequate performance, and a score of 4 indicates excellent performance. For a full explanation of scoring criteria, please see appendix C.

Table 1: UoR scores

Theme	2008-09 score
1 Managing finances	2
2 Governing the business	2
3 Managing resources	2

This shows that we have assessed the Council as performing adequately across the three themes of managing its finances, governing the business and managing its resources. Within these themes, we have identified areas of particularly strong performance and some areas where further improvement is required. In particular, we assessed the Council's arrangements for managing risks and maintaining a sound system of internal control as inadequate due to some specific concerns around risk management and the delivery of internal audit. We acknowledge that the Council is taking action to address these areas of concern which should enable an improved assessment in future years.

The key achievements for the Council identified in our assessment, include:

- there are established performance management arrangements in place with regular reporting to members with performance data being used effectively to make decisions about future service delivery;
- a commitment to improve the quality of services provided across the Council, by implementing systems reviews in underperforming services and identifying opportunities to develop existing processes; and
- members provide effective challenge to the Council and, through the use of personal development plans, are developing the skills that are needed to better perform their individual roles.

The key actions for the Council, arising from our assessment, include:

- demonstrating integration of corporate documents with clearer links to the corporate priorities and showing how individual services contribute to the delivery of corporate priorities;
- developing robust arrangements for risk management, including a corporate risk register and consideration of partnership risks; and
- improving the management of the workforce, in particular that initiatives to reduce staff absences are effective.

1.3 Engagement in the assessment process

We are pleased that officers of the Council engaged effectively during the assessment process in 2008-09. The Council provided a comprehensive self assessment at the outset of our work and this was supported by a number of meetings and background evidence. Our Use of Resources workshops were well attended by officers with constructive and useful discussion.

1.4 Links to Comprehensive Performance Assessment

The findings from our work are also considered by the Audit Commission's Comprehensive Area Assessment (CAA) Lead along with their own work on 'Managing Performance' to determine the overall Organisational Assessment. This assessment then feeds into the CAA for the area as a whole. The CAA work is reported separately by the Audit Commission and, as such, is not repeated within this report. However, we have held discussions with the CAA Lead to ensure that our work and judgements are consistent with their own and represent a full and fair reflection of the Council.

1.5 Next steps

We will continue to work with the Council during the year to help prepare for the 2009-10 Use of Resources assessment. For the second year of this assessment, the Council needs to build on the evidence base they have, focussing on the delivery of outcomes for the local population and improvements in relation to internal control and risk management. For further details on next year's assessment, please see appendix D.

The recommendations arising from our review are set out in appendix A. We would like to take the opportunity to remind the Audit Committee of the need to monitor implementation of these.

1.6 Use of this report

This report has been prepared solely for use by the Council to discharge our responsibilities under the Audit Commission Code of Audit Practice and relevant auditing standards and should not be used for any other purpose. No responsibility is assumed by us to any other person.

This report includes only those matters that have come to our attention as a result of performance of the audit. An audit of Use of Resources is not designed to identify all matters that may be relevant to those charged with governance. Accordingly the audit does not ordinarily identify all such matters.

1.7 Acknowledgements

We would like to record our appreciation for the co-operation and assistance provided to us by the Council's management, officers and members during the course of our audit.

2 Summary of findings

2.1 Introduction

In carrying out our audit work we comply with the statutory requirements governing our duties, set out in the Audit Commission Act 1998, in accordance with the Code of Audit Practice (the Code). The Code requires us to issue a conclusion on whether East Devon District Council has proper arrangements in place for securing economy, efficiency and effectiveness in the use of its resources (the "VFM conclusion"). The UoR assessment forms the backbone of this process.

The UoR Key Lines of Enquiry (KLoEs) are prescribed by the Audit Commission and applied at all councils, police forces, fire authorities and NHS PCTs. However, as our audits are tailored to local risks, we specifically identify and consider certain areas of greater audit risk for each organisation, as part of the UoR assessment. For the Council, we identified a number of areas for further consideration in our Audit Plan, which we have considered during the course of this work.

2.2 Approach to the audit

The use of resources work was undertaken between March and July 2009, based on the KLOE framework prescribed by the Audit Commission. Our work was based on a review of the Council's initial self assessment and supporting evidence as well as discussions with senior management and officers. We presented our provisional assessment to management at the Council in June 2009, providing an opportunity for any further evidence, based on these preliminary discussions, to be made available to us prior to forming our final judgements in August 2009.

2.3 2008-09 UoR assessment

The 2008-09 KLOE and theme scores are shown in the table below.

Table 2: UoR theme and KLoE scores

Theme / KLOE		Score
Theme 1 - Managing finances		2
1.1	Financial planning	2
1.2	Understanding costs	2
1.3	Financial reporting	2
Theme 2 - Governing the business		2
2.1	Commissioning and procurement	2
2.2	Use of data	2
2.3	Good governance	2
2.4	Internal control	1
Theme 3 - Other resources		2
3.1	Use of natural resources	Not assessed
3.2	Asset management	Not assessed
3.3	Workforce management	2

Please note:

- some KLOEs have an overriding impact on theme scores - see Appendix C for more details of scoring criteria and arrangements; and
- different KLOEs are specified for assessment each year and across types of organisation. See appendix D for details.

2.4 2008-09 VfM conclusion

Under the Code of Audit Practice (the Code), auditors have a responsibility to conclude whether the audited body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. This conclusion is the value for money (VfM) conclusion. Section 3 of the Code sets out the scope of these arrangements and the way in which auditors will undertake their work.

Auditors inform and limit their VfM conclusion by reference to relevant criteria. These criteria cover particular areas of audited bodies' arrangements, specified by the Commission under the

Code. From 2008-09, the KLOE for the scored use of resources assessment also form the criteria for the VFM conclusion. The Commission will specify each year which of the use of resources KLOE will form the relevant criteria for the VFM conclusion at each type of audited body.

Auditors address a 'yes' or 'no' question for each criterion – that is the audited body either has proper arrangements or it does not. A 'no' judgement will be equivalent to level 1 performance for the use of resources assessment, and a 'yes' judgement will be equivalent to level 2 performance or above. Criteria with a 'no' judgement will automatically be reassessed in the following year regardless of whether or not they are specified.

For bodies subject to a scored use of resources assessment for CAA, the KLOE forming the relevant criteria for the 2008-09 and 2009-10 VFM conclusion are those specified at Appendix D.

On the basis of the KLOE scores assessed in 2008-09 for East Devon District Council, we provided a qualified use of resources conclusion on 29 September 2009, because adequate arrangements were not in place to manage risks and maintain a sound system of internal control.

The key reasons why we have assessed risk management and internal control as inadequate are set out below. We acknowledge that the Council is taking action to address these areas:

- the corporate risk register has not been formally updated or monitored by the Audit and Governance Committee, or any other member committee, during the 2008-09 financial year;
- there is limited proactive fraud work carried out due to the resource pressures faced by Internal Audit; and
- there have been continued problems faced in delivering the internal audit service due to resourcing issues.

The key findings in each of the KLOEs, and areas for improvement, are set out in the sections 3 to 5.

3 Managing finances

3.1 Theme summary

This theme focuses on sound strategic and financial management, that is, whether the Council plans its finances to deliver its priorities, the extent to which it has a sound understanding of its costs and performance, and whether its financial reporting is timely, reliable and meets the needs of its population.

Theme 1 - Managing finances		2
1.1	Financial planning	2
1.2	Understanding costs	2
1.3	Financial reporting	2

The Council's corporate strategy sets out its seven corporate priorities which were developed in consultation with stakeholders and interested parties. The strategy is supported by service plans, although links between the strategy and service plans could be made clearer through the introduction of corporate priority delivery plans, which demonstrate how the work and achievements of services contribute to the delivery of the priorities. The resources to deliver the strategy are set out in the financial strategy and annual budgets, as well as in the service plans, which is underpinned by a robust budget setting process.

There is a sound understanding of the performance of services in priority areas, and performance information is presented to members on a quarterly basis. This has informed the systems reviews that have been focussed on those areas where performance improvements are required. These service reviews have been undertaken within the planning, benefits and housing service areas and, whilst the benefits have not yet been fully realised, there has been a considerable improvement in performance. The Council has developed a challenging three year efficiency target for the period 2008-11 and has successfully delivered the first years targets. The Council will need to continue its robust budget and planning approach if the full target is to be achieved.

Each month, budget monitoring reports are presented to the Executive Board and include explanations for variances identified in service areas. Following feedback from members, the Council have formed a review group to revise the format and content of these budget monitoring reports and are using this opportunity to better integrate financial and performance information to aid the decision making process and ensure funds are allocated to priority areas. The Council has made good progress in improving the overall quality of the statement of accounts and the process for preparing them, both in terms of their accuracy and working papers which support them.

KLOE 1.1 - Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

The KLOE seeks to establish whether the Council integrates its financial planning with its strategic and service planning processes on a medium to long-term basis, whether it engages local communities and other stakeholders in the financial planning process, how it manages spending within available resources and whether it is financially sound over the medium term. It also seeks to establish whether the Council recognises individual and collective responsibilities for financial management and values and is developing appropriate financial skills.

The Council's corporate strategy is the key document that outlines the vision and priorities of the Council. The current strategy was developed in 2007, as part of a reprioritisation exercise, and was refreshed in 2008 to reflect the change in the economic climate. The Council's priorities were developed in consultation with focus groups and with parish and town councils.

The corporate business plan is an extensive document, expanding on the corporate strategy. It sets out how the local sustainable community plan links to other strategies, including the corporate strategy, as well as how the Council's priorities relate to the East Devon wide priorities.

The 2008-09 annual budget was set to deliver the existing corporate strategy. The Council has a robust budget setting process in place, linked to financial planning through the service plans and service planning days. As well as delivering core services, the budget also established a contingency fund that could be used to respond to additional areas which were not included within the baseline budget. The use of this additional funding was considered on a case by case basis by the Scrutiny and Oversight Committee to ensure that funds were allocated to high priority areas. While this element of the budget demonstrates that the Council allocates resources to high priorities, at a service level there is limited evidence of the Council moving resources from low to higher priority areas where the budget available cannot cover all requested spend.

In addition at the year end, of the £12.2 million general reserve accumulated from previous years only £372,000 had been spent to support the 2008-09 revenue budget. The Council should seek to avoid holding large reserves without specific plans to spend them, and should set council tax on the basis of income required to support the budget for the current year. We recognise that since the year end the Council has allocated £6.8 million of this general reserve to fund the next three years capital programme. We will review the delivery of this programme as part of our annual audit programme.

Service plans are developed annually, alongside the budget, with participation of staff through service planning days. The Council has been able to demonstrate a number of outcomes arising from the delivery of its service plans, such as an improvement in recycling rates, but it is not clear how the activities of individual services relate to the achievement of the corporate priorities. This is because the Council does not have a delivery plan for each corporate priority, that describes the link between the corporate strategy and individual services plans and how the priorities of the Council will be achieved. We believe such a document will assist in the Council in identifying how individual priorities will be delivered and will facilitate improved monitoring of the progress being made.

The financial strategy is updated on an annual basis and sets out the council's financial plans for the next five years. The Council has a good track record of meeting the annual budget and achieving its efficiency targets. The 2008 plan identifies an increasing deficit over the next five years and outlines the steps needed to ensure that the Council is financially sound over this period. However, this strategy does not clearly link through to the corporate objectives and demonstrate how they are going to be delivered.

Recommendations

1. Ensure that there are specific plans in place that demonstrate how reserves are to be used in the future, maintaining a reasonable working fund balance, and set council tax on the basis of income required to support the budget for the current year.
2. Clearly evidence how service plans deliver the corporate priorities through the use of corporate priority delivery plans.
3. Demonstrate a clear link between the priorities in the corporate strategy, the financial strategy and annual budget.

KLOE 1.2 - Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

This KLOE focuses on whether the Council understands its costs, including whole life, transaction and unit costs, the main factors that influence these, how they link to performance and whether it takes account of this in its decision-making and commissioning. It also seeks to establish whether the Council has identified the scope for making efficiencies and is on track to achieve planned efficiencies.

Our reviewed of the Council's service plans identified that whilst benchmarking information was being used to assess performance against others in some areas, this was not being done consistently across all services. In 2008, the Council undertook a review of all of the services it provides to identify those areas where costs and performance are significantly higher, or lower, than average. As a result of this exercise, a detailed systems review was implemented which initially focused on those areas considered to be most important to address, benefits and planning, and then extended to consider the housing service, which was the next priority area.

Whilst the actions arising from the system review of these three services is in the early stages of implementation, initial results have shown improvements in both performance and financial efficiencies. It is too early to assess the sustainability of the improvements made, but the review process has demonstrated that the Council has developed a good understanding of costs and performance and the link between the two. Moving forwards, the Council now needs to extend this service review process to other service areas to identify and implement further system improvements that should realise additional financial efficiencies and improve performance.

We found that in a number of areas, such as recycling, the Council has developed a good understanding of the costs and related performance. Recycling is one of the seven corporate

priorities, a new waste contract has been entered into to introduce a recycling scheme across the district. The contract was renegotiated to ensure that as the scheme was expanded from the trial area, to the whole of the district more quickly than the original timetable of five years, so that the Council would benefit from the economies of scale more quickly. Whilst the Council has been able to demonstrate its understanding of costs across this specific areas, we found that this knowledge does extend across all services and that there is only limited use of unit or activity based costing.

Financial and performance information are reported to members through the Executive Board and the Overview and Scrutiny Committee. There is particular focus on corporate priorities and poorly performing services, where key performance information is reported to the Executive Board on a monthly basis. However, this financial and performance information is not integrated together within a single report and is for information only, rather than requiring specific decisions to be made. This information should be reported together so that the inter-relationships between costs and performance can be more clearly identified which should make it easier to establish whether funds should be re-prioritised and diverted to other areas and expected impact that this will have on performance.

Whilst there were only a small number of capital investment decisions made during 2008-09, these were supported by whole life costing and were subject to a capital appraisal process which included a risk assessment. For future major decisions, the Council should demonstrate what alternative options have been considered and the extent to which the wider implications from those decisions, such as social or environmental impact, have been evaluated.

The Council identifies, as part of its financial strategy, the scope for making efficiencies. In October 2008, the Executive Board approved a three year efficiencies target of £2.2 million, and the Council has delivered its first year target within that of £707,000 in 2008-09. The full delivery of this target is likely to be very challenging and the Council will need to continue its robust budget and planning approach if it is to be successful.

Recommendations

4. Develop a formal implementation plan to roll out the systems review across the Council to ensure that services are reviewed in priority order.
5. Activity based costing, unit costs and performance should be analysed across the Council and data should be benchmarked with other councils on a regular basis to ensure that value for money is being obtained.
6. Whole life costing should be formally performed for both revenue and future capital decisions, and should include wider social and environmental impact.

KLOE 1.3 - Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

This KLOE focuses on whether the Council produces relevant, timely and reliable financial monitoring and forecasting information and uses wide-ranging performance information for in-year decision-making and monitoring. It seeks to establish the extent to which financial reports are clear and support strategic decision making and whether the Council's accounts meet statutory requirements, financial reporting standards and present fairly the financial performance and position. It also focuses on whether the Council publishes reports that provide an objective, balanced and understandable assessment of its performance in the year.

The Council produces monthly financial management information which is reported to budget holders. Where budget holders feel it is necessary, or where financial performance against budgets is more volatile or high risk, then they meet with a member of the finance team to explain any variances arising against specific budgets. The information provided to each budget holder is tailored to their requirements.

Monthly finance reports, which set out any variances against budget and the position of the general fund and HRA balance are presented to the Executive Board, together with supporting explanations for any significant variances. Whilst we acknowledge that this information is both timely and reliable, the reports are only presented for information to the Board and there is limited evidence that they are actively used throughout the year to manage the finances of the Council. Following feedback from members, the Council has formed a review group to consider the format of the monthly financial information reported to the Executive Board, to ensure that the content of reports best informs the decision making process.

Changes to the budget as a result of emerging pressures are approved by the Executive Board and forms a revised budget. In line with good practice, the Council continues to report against the original budget and the Council provides explanations for variances against budget including the rationale for any approved budget changes. The outturn is reported in June to Executive Board in a detailed revenue outturn and capital outturn booklet.

The arrangements for monitoring the financial performance of partnerships varies depending on the individual partnership and the contractual arrangements. For example, the performance of the housing partnership is monitored on a monthly basis and Leisure East Devon (LED) is assessed on a quarterly basis through service monitoring meetings and by monitoring performance and finance statistics against the service level agreement. An annual report is also produced for the LED partnership which includes relevant financial and non financial data.

The 2008-09 statement of accounts were prepared and submitted for audit by the 30 June 2009 deadline, and the audited accounts were signed and approved by the Audit Committee and made available to stakeholders on the Council's website by the 30 September 2009 deadline. The accounts presented fairly the Council's financial performance and position for 2008-09. Whilst we provided an unqualified opinion, our audit identified a number of significant amendments that were required to be processed in the final version of the accounts, in particular the reclassification of £3.2m from earmarked reserves to general fund and a revision to the cash flow statement. We commended the Council for their overall improvement in the accounts preparation process, improving the accuracy

of the financial statements and the quality of the working papers. However, there remains scope for further improvement and we are working with the Council to continue this progress.

In addition to the statement of accounts, the Council has made the annual budgets and service plans available to its stakeholders by publishing these documents on its website. Agendas and minutes for all committees are also available online, however, not all of the agenda items are published on the website. The Council should publish the reports for committee agenda items, not just the associated cover sheet, to enhance transparency and the availability of information to its stakeholders. The Council's website has increased accessibility through the 'speak this page' facility and larger text, although there is scope to develop accessibility further with translations.

Recommendations

7. Budget monitoring reports should be revised following feedback from members and a review group being formed to ensure the reports inform decision making. Financial reporting should be integrated with performance information.
8. Further improve the overall quality of the statement of accounts and working papers which support them.
9. All reports presented to committee should be published on the Council website, unless they are formally exempt.
10. The Council should investigate how it could further improve the accessibility of information on its website for those people that do not have English as a first language.

4 Governing the business

4.1 Theme summary

This theme focuses on strategic commissioning and good governance, in particular how well the Council governs itself and commissions services that provide value for money and deliver better outcomes for local people.

Theme 2 - Governing the business		2
2.1	Commissioning and procurement	2
2.2	Use of data	2
2.3	Good governance	2
2.4	Internal control	1

The Council's corporate priorities have been developed in consultation with local stakeholders and it is working well to deliver these priorities through commissioning and procuring the appropriate services required. Where these are directly within the control of the Council, it can demonstrate how processes are resulting in improved outcomes in key services and, following the systems reviews performed in priority areas during the year, has shown that significant improvement in performance can be delivered. In addition, the Council procures a high proportion of goods and services locally, which also supports its priority around thriving economy.

There are established arrangements in place for performance management, with all performance indicators supporting corporate priorities being reported to members quarterly and the top 20, which are based on risk and priority, being updated and reported monthly. A review of indicators in the bottom quartile has informed the decision as to which services were selected for a detailed systems review and the Council is developing integrated finance and performance reporting to better inform short and medium term decision making. Internal audit test a sample of performance indicators each year to verify the accuracy of data reported by the Council.

The Council has robust governance arrangements in place, setting out the role and responsibilities of individuals and committees in its corporate strategy, which is published on the website, and through codes of conduct. Personal development plans have been introduced and are being effectively used in member development and members provide effective challenge to the Council. There are arrangements in place for whistle blowing and receiving complaints which have operated effectively during the year. A review of partnership arrangements has been started and this has highlighted the

need for further work to clarify the Council's role across the range of partnerships that it is involved within, the resources contributed, the governance and performance monitoring arrangements.

Arrangements for risk management and internal control have deteriorated since 2007-08. The corporate risk register has not been formally updated or actively monitored by members, such as the Audit and Governance Committee, during 2008-09. The Council's internal audit service has continued to experience resourcing issues and this has impacted on the delivery of the internal audit plan for the year, resulting in a reduced programme of work. Whilst an anti-fraud forum has been established, there has been limited proactive counter fraud and corruption work performed due to the pressures faced by internal audit. These issues resulted in a score of one for KLoE 2.4 and a qualified use of resources conclusion in respect of the arrangements for risk management and internal control, as reported and discussed with the Council in September 2009. We recognise that significant actions are now being taken to address these areas of concern.

KLOE 2.1 - Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

This KLOE is concerned with whether the Council has a clear vision of intended outcomes for local people that shapes its commissioning and procurement, and whether it is based on an ongoing analysis and understanding of needs. It also seeks to establish whether the Council understands, and seeks to influence and develop, the supply market; and whether it reviews service competitiveness and achieves value for money.

The corporate priorities reflected in the corporate strategy have been developed through consultation with various partners, including local businesses and East Devon residents. Consultation with residents is achieved through a number of forums, such as neighborhood assessments and focus groups, to ensure that the Council is working towards developing services that are relevant to, and tailored to meet, local needs. The Council has a procurement strategy in place which sets out how the council aims to achieve best value through procurement and how to ensure that the use of procurement and commissioning link to achieving the corporate priorities.

There are some examples where the Council has commissioned and procured improved services for the local population, reflecting corporate priorities. A good example of this is the waste management service. To deliver its recycling priority, the Council engaged in a new waste contract. Set out within this, the Council works in partnership with the supplier so that both organisations benefit from increased levels of recycling and to deliver better value for money in the longer term. The contract was due to be rolled out across the district over five years, but, following recent discussions and commentary from other stakeholders, the Council has made the positive decision to increase the rate of roll out to ensure that its performance in recycling is significantly increased more quickly.

There is scope for the Council to more clearly demonstrate that commissioning within services across the Council are in line with the Council's corporate priorities. The introduction of priority delivery plans that we have outlined under KLoE 1.1 is one way that would provide a clearer link. The Council's priorities are also required to be aligned to the Devon sustainable community strategy, in order that East Devon can demonstrate how they contribute to the priorities of people in the

local area as well as Devon as a whole. This strategy provides a framework to facilitate coordination with partnering organisations for the delivery of services that the Council provides itself and also the priorities of others which the Council can positively contribute to. The Council should seek to more clearly integrate the various strategy documents to demonstrate the 'golden thread' from the priorities of the local community to the delivery of services.

Whilst there are examples of where the Council has demonstrated working alongside key partners in developing priorities and working together to ensure that the services provided across East Devon are integrated to deliver joint priorities, there have been some challenges in securing the full benefits of this. The Council should ensure that they identify ways to work more closely with all partners to ensure that they procure and provide the required services across the district and consider how this can be demonstrated and communicated to others effectively.

The Council is part of the Devon wide procurement partnership, where they are working with other councils to gain economies of scale in the purchase of goods and services. In addition, the Council is part of informal partnerships with other local councils and has undertaken a number of joint initiatives for joint working and procurement. This is a positive step and the impact of these initiatives should be monitored and where possible extended by the Council during 2009-10.

The Council has demonstrated that they have started to take steps in working with local voluntary organisations and private sector bodies, such as local businesses. A good example of a positive outcome was how the Council worked with a number of local businesses that were forced to close due to the current economic environment, to ensure that the impact of redundancies was minimised and the availability of benefits was communicated to those involved. Whilst we recognise that is a strong example, the Council needs to ensure that the arrangements with voluntary organisations and local businesses are developed further and embedded throughout all of its relevant activities.

The Council has identified those service areas that are not performing as strongly as they should be and implemented service redesign across those departments to improve service performance and deliver sustainable outcomes. In 2008-09, the services reviewed were planning, benefits and housing. Following this exercise there are good early indications of improved performance, despite an increase in the workload, and the Council needs to ensure the full benefit of this process is realised. There are plans in place to roll out service redesign across the Council, although the priority order in which this will occur has not yet been fully agreed. There are also wider opportunities for the Council to gain efficiencies through the commissioning and procurement of services, for example the use of IT, which should be incorporated into the procurement policy.

The Council has been able to demonstrate that 74% of their suppliers are within the South West and 29% of their suppliers are within the East Devon area. This supports the delivery of their corporate priority to develop a thriving local economy, as well as demonstrating that the Council has a good understanding of the local supply market.

Recommendations

11. More clearly demonstrate how the Council's services contribute to the achievement of the local strategic partnership priorities including better integration of various strategic documents.
12. Consider and develop further arrangements for working with local partners to provide and procure services jointly in order to deliver the priorities set out in the Devon sustainable community strategy.
13. Further develop and formalise arrangements for working with the voluntary and local business sectors across the Council.
14. After implementation of the service re-designs in planning, benefits and housing, the effectiveness of the systems review and new arrangements should be assessed to ensure they are effective and that the benefits of the changes have been realised.
15. Establish a programme, based on a sound prioritisation, of rolling the service re-design across other service areas.
16. Consider further opportunities to gain efficiencies both in and through procurement, including the use of IT.

KLOE 2.2 - Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

This KLOE focuses on whether the Council understands the needs of its decision makers, produces, with partners, relevant, good quality and reliable data to support decision making and performance monitoring. It is also concerned with whether the Council has arrangements to monitor performance and to ensure data security and compliance with relevant statutory requirements.

The Council uses the corporate performance management system, SPAR.net, to monitor performance against targets. The performance information within this system is reported to the Overview and Scrutiny Committee on a quarterly basis and the top 20 performance indicators, as assessed by risk and corporate priority, are reported to the Executive Board on a monthly basis. As part of the 2008-09 budget setting and service planning process, the Council identified areas where performance was in the bottom quartile nationally and took action to address this by conducting a systems review of these services, identified above.

Whilst Heads of Service are encouraged to benchmark key statistics as part of the annual service planning, we found that the degree to which this was being done effectively varied considerably across the Council. One area where we found that benchmarking was being used effectively was StreetScene and there are opportunities for other service areas to consider the processes in place in this area and how they could be applied to their own. The Council's performance on recycling was benchmarked against other district councils, which identified that both performance and cost of delivery were in the bottom quartile across the country and that the Council would not meet national targets if the rate of recycling was not increased considerably. The Council used this

performance information, along with information collated from consultation events, to determine that waste should be a corporate priority demonstrating that performance information supported the decision making process.

Whilst there are a number of examples of where performance data has been used to drive the longer term decision making process, there is limited evidence that the performance information reported throughout the year to Committee is used to inform short term decision making. The Council has identified that performance reports are presented for information and to be noted rather than as items for discussion and upon which decisions should be made. We recognise that the Council has recently formed a review group to combine financial and performance reporting to better inform members when decisions are required.

In order to ensure that performance information is accurately reported, internal audit test a sample of performance indicators prepared by the Council at each year end. However, the Council does not yet have robust assurance from partners that the processes which supply information to the Council through partnership arrangements ensure the accuracy of data. This should be addressed to ensure that any decisions that may be taken that is based on third party information are sound.

The Council has achieved compliance with the Government Code of Connection, demonstrating that adequate data security arrangements are in place across the Council to ensure data security. No serious incidents were reported in 2008-09 relating to the security of information, demonstrating that there are robust processes in place.

Data quality spot-check and housing benefits data quality results

To support our judgements for KLOE 2.2 we undertook detailed spot-checks on two of the Council's key performance indicators and certified the accuracy of benefit and council tax claims. If we identified any significant concerns around the quality of the underlying data which would be likely to lead to a material misstatement, we were required to reported those findings to the Audit Commission. We are pleased to report that no significant issues were identified.

Our summary findings are set out in the following table.

Table 3: Data quality spot-check results

Performance Indicator	Significant concerns?
Local indicator (formerly BV212) Average time to re-let council housing	No

Summary of findings

This indicator was one of the Council's 20 key performance indicators in 2008-09 and therefore performance against target was reported to the Executive Board on a monthly basis. The actual performance achieved, of 22 days, was significantly better than the target of 28 days and the 2007-08 performance of 31 days, which was one of the key factors leading to this indicator as being high risk.

Data required for the calculation of this indicator is compiled by the housing needs team. The methods for collecting and recording the data are primarily manual processes rather than automatic, increasing the risk of incorrect data being used in compiling the reported performance. However, the housing needs manager checks all of the input data. We identified an isolated example of an incomplete audit trail with limited evidence available to support the start of the void period for one re-let. Our sample was extended and no further issues were identified. We also identified an error in the calculation of one months data due to a formula error in the spreadsheet. The data was amended as a result of our audit and there was no impact on the quarterly or annual performance indicator reported.

Performance Indicator	Significant concerns?
National indicator (NI 157a) Percentage of major planning applications processed within 13 weeks	No
Summary of findings	
<p>This indicator was selected for data quality checks as there was a decline in performance in 2008-09 to 50%, both compared to the 2007-08 results (51.16%) and to the 2008-09 target performance of 60%. It was therefore identified as a high risk and selected for spot checking.</p> <p>The quality of this performance data is tightly controlled through the use of an automated system which minimises manual entries and has in-built system checks and a clear audit trail. Accuracy checks on the input data are performed on a random sample of planning applications by the planning administrator and land charges manager. We did not identify any errors in our test sample or in the calculation of the indicator.</p>	

Our audit work on performance indicators identified that while training is provided to managers on data quality, the training provided to staff involved in measuring, compiling and recording of data, does not cover the key issues on data quality. The Council should enhance its training on data quality to cover all levels of staff involved in collecting and compiling data, to ensure that the importance of data quality is embedded throughout the organisation and not just at manager level and above.

In reaching conclusions for KLOE 2.2, we also considered the results of the data quality aspects of our work on housing benefits. From our testing we identified data quality errors in three claims within our initial sample, an error rate of 4.3%. One of the errors was identified by the Council in

2009-10 through routine data checks and will be corrected in next years benefits claim. The remaining two data quality errors identified related to favourable changes in circumstances not being processed on the benefits assessment due to the claimant already being in receipt of full benefit. The Council has arrangements in place to discourage this approach because future unfavourable changes may need to be assessed in the light of any favourable changes to provide a complete picture. The systems team provide feedback and training if they identify such cases.

The management arrangements in place to ensure data quality in benefits were also assessed. Training is provided to staff on data quality through subsidy training. There are review processes in place however the level of documentation to support this review varies between teams. No significant issues were identified over the management arrangements in place.

Recommendations

17. More clearly demonstrate how performance information is actively used in short term decision making.
18. Ensure robust arrangements are in place to verify the accuracy of information and data received from other organisations.
19. Provide data quality training to all staff involved in the preparation of performance data and indicators.

KLOE 2.3 - Does the organisation promote and demonstrate the principles and values of good governance?

The focus for this KLOE is on assessing whether the Council has adopted, promotes and demonstrates, the principles of good governance, maintains focus on its purpose and vision, demonstrates a strong ethical framework and culture; and applies the principles and values of good governance to its partnership working.

The Council's constitution is made available to stakeholders and is published on the website. To deliver transparency in its functions and operations, all committee minutes and agendas, as well as the full list of members' expenses is published on the website, with minutes of committees being available five days after each meeting.

Codes of conduct are in place for both members and employees and these documents form the ethical framework which the Council works within, in conjunction with the anti-fraud, whistle blowing and money laundering policies. Claims by whistle blowers during the year have been investigated and responded to and, at a higher level, the monitoring officer has received and responded to complaints from the public, reporting instances to the Standards Board if required.

The Council is making good progress in developing its members to ensure that they receive appropriate training to develop and discharge their roles and responsibilities effectively. The majority of members went through a one to one session with the democratic services manager during 2008-09 to put together individual development plans which enabled any skills gaps to be

identified and specific training to be provided. As part of the members induction day, Councillors attend training on a range of subjects including ethics, legal issues, risk and governance. In addition training sessions are provided throughout the year which are tailored to meet the requirements of individual committees and members needs.

These proactive actions being taken to address member development have only been recently introduced and, as such, the longer term benefits and outcomes have yet to be realised. The Council should ensure that the development plans of members are revisited on a regular basis so that the impact of the arrangements can be and assessed and developed further, where necessary.

Internal audit have started a process of reviewing the governance arrangements of partnerships, including identifying all of the partnerships that the Council is part of. There is currently no central record to summarise the governance arrangements for each partnership and while the financial investment in partnerships is recorded, the Council does not have a record of what other resources are invested in each partnership, such as staff time contributed. Risk management arrangements which are specific to individual contracts are written into the formal contract, but risk management arrangements that are common to all partnerships are not considered at a corporate level.

Recommendations

20. Personal development plans of members should continue to be used to ensure members have the right skills for their role.
21. Complete the partnership review which was started in 2008-09, including maintaining a central record of all partnerships and core information relating to each one.

KLOE 2.4 - Does the organisation manage its risks and maintain a sound system of internal control?

This KLOE is concerned with whether the Council has effective risk management in place that covers partnership working; whether there is a clear strategy and effective working arrangements, to manage the risk of fraud and corruption; and whether the Council has a sound system of internal control including internal audit.

The Council has a corporate risk management policy and strategy available to all staff on the intranet and risk management training is provided to all managers as part of core management training. The Council had appropriate risk management arrangements in place up until April 2008, with a corporate risk register that was updated and monitored on a regular basis. The risk register was previously maintained by internal audit, but the Council segregated the position of risk management and internal audit by moving responsibility for maintaining the risk register to heads of service and budget holders, with the intention of embedding risk management within services.

These new arrangements had not been implemented by the end of the 2008-09 financial year, resulting in a lack of corporate risk management arrangements for updating and monitoring of the corporate risks. The Council should now ensure that the arrangements are implemented without

delay. The corporate risk register should be updated and monitored at a corporate level, at least quarterly, to minimise the risks that the council are exposed to and ensure that appropriate mitigating controls are in place.

Whilst the responsibility for maintaining the risk register has been moved from internal audit to budget holders, the internal audit function has continued to be under pressure in 2008-09 to deliver the internal audit plan due to ongoing resource issues in terms of staffing levels. This has put pressure on the internal audit team and has meant that there have been delays in completion of the core financial audits and the postponement of some lower risk audits to 2009-10. This has had an adverse impact on the effectiveness of the service provided. We recognise that the Council has been considering the options available regarding both the short term and long term delivery of the internal audit service and is taking action to address the current position. Moving forwards, the Council needs to ensure that it has appropriate arrangements in order for it to gain sufficient assurance through the delivery of a comprehensive, risk based audit plan. An annual report it produced by internal audit clearly setting out governance and internal control issues that need to be addressed.

Internal audit have begun a process of assessing and documenting all partnerships, including the resources committed to each partnership and the risks associated with each one. However, this work had not been completed by the end of the financial year and general partnership risks had not been identified and monitored corporately. We acknowledge, however, that adequate risk management arrangements are in place for key partnerships, such as Leisure East Devon and the Local Strategic Partnership, at an operational level.

The Audit and Governance Committee provides an effective and robust challenge to the existing internal control arrangements, seeking to improve the control environment across the council. This was demonstrated during 2008-09 through the use of a task and finish forum for the internal audit service. However, while the internal controls across the Council are generally effective, there are concerns over the adequacy of the housing benefit controls. East Devon was selected by the Audit Commission as one of the first councils to undergo a housing and council tax inspection. This selection process was targeted based upon a risk assessment, indicating that the benefits service at the Council is a high risk. The results of this assessment were not finalised until the 2009-10 financial year, although we understand the Council has been able to demonstrate significant improvement in this service.

The Council has the required policies in place to embed an anti-fraud culture, including fraud, whistle blowing and money laundering. An anti-fraud forum was set up during 2008-09 to improve the effectiveness of the Council's response to suspected instances of fraud but the pressures faced by internal audit have impacted on the Council's ability to undertake proactive counter fraud and corruption work. This puts the council at increased risk of financial loss due to fraudulent activities continuing for longer periods of time before detection. The Council should ensure that the resources are available to carry out an element of proactive counter fraud and corruption work, to minimise the risk of financial or reputation loss that the council is exposed to.

Recommendations

22. Introduce and actively maintain a corporate risk register which should be monitored by a members, perhaps through the Audit and Governance Committee, on a quarterly basis.
23. Continue to consider the future delivery of the internal audit service to guarantee that each annual internal audit plan is completed.
24. Implement the recommendations made by the Audit Commission in the housing benefits inspection.
25. A programme of proactive counter fraud and corruption work, based upon a robust risk assessment, should be agreed and undertake each year.

5 Other resources

5.1 Theme summary

This theme focuses on the effective management of natural resources, assets and people. It is concerned with whether the Council understands, and can quantify its use of, natural resources and whether it is managing performance to reduce its impact on the environment. It also focuses on whether the Council has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes and manages its asset base to ensure that assets are fit for purpose and provide value for money. Finally it seeks to establish whether the Council has a productive and skilled workforce, knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this.

Theme 3 - Other resources		2
3.1	Use of natural resources	Not assessed
3.2	Asset management	Not assessed
3.3	Workforce management	2

The Council has a workforce and development strategy, which is supported by a range of human resources policies and succession planning is incorporated into the service planning process. Staff turnover remains low, although the absence rate is the highest in Devon and even after removing the long term sick the rate is still well above the national average. In the 'Best Councils' survey the council was in the top 25 nationally, but in the council has yet to achieve level two in the equalities standards.

KLOE 3.1 - Is the organisation making effective use of natural resources?

This KLoE has not been considered in 2008-09 as the Audit Commission has prescribed that the introduction of assessed themes will be phased over three years. Appendix D details those KLoEs to be assessed in each year.

KLOE 3.2 - Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

This KLoE has not been considered in 2008-09 as the Audit Commission has prescribed that the introduction of assessed themes will be phased over three years. Appendix D details those KLoEs to be assessed in each year.

KLOE 3.3 - Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities

This KLOE considers the workforce for the Council as a whole, incorporating workforce planning, organisational change and recruitment. It also seeks to establish whether the Council has identified how to improve the diversity profile of its workforce so it broadly reflects the community it serves.

The Council's workforce and development strategy is supported by a range of human resources policies covering the issues facing council staff. Following feedback from staff, the council has introduced new policies including voluntary working and sabbaticals. Staff are also involved in the development of services with a selection of employees taking part in the staff planning days, with others contributing through focus groups. The service planning days incorporate succession planning, taking into account staffing levels required in each service to deliver the service plans. The outcome of the performance excellence reviews (staff appraisals) has also been incorporated into the Council's succession planning, for example to ensure that any skills gaps identified, are taken into consideration when planning training needs.

Through such processes, the Council has identified the need for market forces factors to be applied to some areas such as IT and internal audit, to ensure that the Council continues to be a competitive employer. Staff turnover has been reduced in 2008-09 to 5.75% from 7.52% in 2007-08, although some key areas have continued to face recruitment and retention problems.

The Council is seeking to work jointly with other Councils to recruit and retain high quality staff. This is a positive step and the Council should continue to develop and investigate, at a Council wide level, the opportunities available for joint workforce planning. Such arrangements could reduce costs, attract higher calibre staff, produce a more integrated service and reduce unproductive competition between public sector bodies for scarce resources.

The Council has faced some significant changes during 2008-09 which had the potential to have a detrimental effect on staff morale, including the lean reviews in planning, benefits and housing and, on a council wide level, Local Government Reorganisation (LGR). We found that the issue of LGR has, in particular, been managed well by the Council, through regular communication with staff, including the intranet, team meetings and staff awareness seminars, which has helped to minimise the level of uncertainty throughout the Council. The Investor in People report showed that the morale of staff had been maintained despite the potential impact of LGR.

Implementation of the systems thinking reviews were phased over the year. After completion of the first review, focus groups were held and feedback obtained from staff involved about how the change was managed. Changes were made in the implementation of the reviews which followed to address issues which had been raised.

In addition to the Investor in People review, the Council also took part in the 'Best Councils' survey. Both exercises showed improved results across the Council demonstrating that the arrangements being implemented by human resources are having positive outcomes. In the Best Councils survey, East Devon achieved a top 25 for place for the sector 'Fair Deal', which assesses whether staff are happy with their salary and benefits. High performing individuals and teams are recognised through

letters from the Chief Executive and team lunches, for example recognition of the work done by Street Scene after the flooding in 2008.

The Council did not achieve the requirements for level two of the equality standard by the end of 2008-09 because not all of the equality impact assessments had been completed. The Council should continue to work towards completing the equality impact assessments to ensure that the Council's performance in this area can be improved.

The Council has arrangements in place to monitor why absence levels are high and has a focused approach to taking action to reduce sick days. Various initiatives have been put in place to reduce the levels of absence due to sickness, including counselling services and physiotherapy sessions for staff involved in manual labour, which have started to show results in reducing the levels of short term and medium term absence. However, the number of days lost due to sickness, at 12.82 days, is well above the national average of 9.75 days and this remains an area of focus for the council, particularly long term sickness.

Recommendations

26. Continue to work with other councils through joint workforce planning.
27. Strengthen arrangements to achieve the requirements of level two in the equalities standards and then work towards level three.
28. Continue to develop initiatives to address and reduce levels of absence, particularly long term.

A Action plan

It is recognised that many of the actions will be ongoing and that, in these cases, any end dates specified indicate a point in time by which initial decisions are expected to have been taken.

No.	Recommendation	Priority	Management response	Implementation details
1	Ensure that there are specific plans in place that demonstrate how reserves are to be used in the future, maintaining a reasonable working fund balance, and set council tax on the basis of income required to support the budget for the current year.	High	These issues are considered in the Council's Financial Strategy and the detailed setting of the Council's annual budget.	Simon Davey Start date: next review Feb 2010 End date: ongoing
2	Clearly evidence how service plans deliver the corporate priorities through the use of corporate priority delivery plans.	High	The template for Service Plans for 2010/13 makes this clearer and, in the New Year, a working group will consider introducing a separate delivery plan for 2010/11.	Bob Darbourne Start date: in progress End date: March 2010
3	Demonstrate a clear link between the priorities in the corporate strategy, the financial strategy and annual budget.	High	We need to demonstrate spend is vired to reflect priorities and the outcome of the LSTG is an opportunity to do this. A working group will develop more robust arrangements for strengthening these links for 2010/11.	Simon Davey/Bob Darbourne Start date: Jan 2010 End date: March 2010

No.	Recommendation	Priority	Management response	Implementation details
4	Develop a formal implementation plan to roll out the systems review across the Council to ensure that services are reviewed in priority order.	Medium	We are currently awaiting the final LSTG report, but work is in place to make sure all Heads of Service have identified their 'purpose' and measures between now and Christmas. Plans are also in place to work in depth with StreetScene in the third quarter.	Denise Lyon Start date: in progress End date: progress review in March 2010
5	Activity based costing, unit costs and performance should be analysed across the Council and data should be benchmarked with other councils on a regular basis to ensure that value for money is being obtained.	Medium	The Benchmarking activity undertaken in the previous year and planned for the next year is reported in Service Plans every year. Our approach to Benchmarking will be reviewed in the New Year. We will need to ensure that any fresh approach to be introduced does not distract from our Systems Thinking principles.	Simon Davey/Bob Darbourne Start date: in progress End date: March 2010
6	Whole life costing should be formally performed for both revenue and future capital decisions, and should include wider social and environmental impact.	Medium	This will be implemented where appropriate for schemes/projects over certain values (£50,000 is considered appropriate at this stage).	Simon Davey Start date: Jan 2010 End date: ongoing

No.	Recommendation	Priority	Management response	Implementation details
7	Budget monitoring reports should be revised following feedback from members and a review group being formed to ensure the reports inform decision making. Financial reporting should be integrated with performance information.	Medium	<p>Reports are now being drafted seeking decisions like the budget monitoring report to Executive Board in September which is proposing positive actions for members to consider.</p> <p>A working group will develop more robust arrangements for the joint reporting of financial and performance information for 2010/11.</p>	<p>Simon Davey/Bob Darbourne Start date: June 2009 End date: ongoing</p>
8	Further improve the overall quality of the statement of accounts and working papers which support them.	Medium	<p>We will work with Auditors to improve this area.</p>	<p>Simon Davey Start date: April 2010 End date: June 2010</p>
9	All reports presented to committee should be published on the Council website, unless they are formally exempt.	Medium	<p>Our aim is to publish reports and agendas on the website at least 3 clear days before each committee meeting.</p>	<p>Diana Vernon Start date: in progress End date: ongoing</p>
10	The Council should investigate how it could further improve the accessibility of information on its website for those people that do not have English as a first language.	Low	<p>The webmaster and the inet team will investigate cost-effective ways to improve accessibility in other languages from the web site.</p>	<p>Chris Powell Start date: March 2010 End date: July 2010</p>

No.	Recommendation	Priority	Management response	Implementation details
11	<p>More clearly demonstrate how the Council's services contribute to the achievement of the local strategic partnership priorities including better integration of various strategic documents.</p>	Medium	<p>How the LSP's Sustainable Community Plan fits with other plans and how its priorities match up with those of the Corporate Strategy is explained in the Corporate Business Plan each year.</p> <p>This issue is being reviewed by the Overview and Scrutiny Committee Co-ordinating Committee.</p> <p>The Sustainable Community Plan is being revised following the Place Survey results.</p>	<p>Peter Jeffs Start date: in progress End date: May 2010</p>
12	<p>Consider and develop further arrangements for working with local partners to provide and procure services jointly in order to deliver the priorities set out in the Devon sustainable community strategy.</p>	Medium	<p>Work on shared services is ongoing and may be more actively pursued as a result of the revision of the Sustainable Community Plan and the LSTG.</p>	<p>Diccon Pearse/Peter Jeffs Start date: in progress End date: position to be reviewed during 2010/11</p>
13	<p>Further develop and formalise arrangements for working with the voluntary and local business sectors across the Council.</p>	Medium	<p>Arrangements for working with the voluntary sector are set out in the Community Compact.</p> <p>Arrangements for working with the local business sector will be formalised.</p>	<p>Peter Jeffs/Karime Hassan Start date: January 2010 End date: June 2010</p>

No.	Recommendation	Priority	Management response	Implementation details
14	<p>After implementation of the service re-designs in planning, benefits and housing, the effectiveness of the systems review and new arrangements should be assessed to ensure they are effective and that the benefits of the changes have been realised</p>	Medium	<p>Work has been completed to assess how well embedded the new way of working is in the Planning and Benefits services. A report has been prepared outlining where both teams need to pay attention. The Housing service has recently presented a comprehensive report to the Housing Review Board but it is too early to carry out work to find out whether the new culture is embedded. Apart from that, the leading and lagging measures are telling us that these have been successful pieces of work.</p>	<p>Denise Lyon Start date: in progress End date: ongoing</p>
15	<p>Establish a programme, based on a sound prioritisation of rolling the service re-design across other service areas.</p>	Medium	<p>We are currently awaiting the final LSTG report, but work is in place to make sure all Heads of Service have identified their 'purpose' and measures between now and Christmas. Plans are also in place to work in depth with StreetScene in the third quarter.</p>	<p>Denise Lyon Start date: in progress End date: progress to be reviewed in March 2010</p>

No.	Recommendation	Priority	Management response	Implementation details
16	Consider further opportunities go gain efficiencies both in and through procurement, including the use of IT.	Medium	<p>In early stages of development:</p> <ul style="list-style-type: none"> • Intranet procurement portal – procurement forms, procedures, guidelines. • Internet procurement pages, e.g. our procurement strategy, doing business with EDDC/how to bid for work. • Devon Tenders/ProContract – online system for supplier registration, advertising of tenders. • Contracts Register – register of current contracts (mostly over £10,000 total value). <p>Although the above will be in place by April 2010, they will be subject to continuous development.</p> <p>In the longer term we will be introducing an e-procurement system and wider use of Purchasing Cards.</p> <p>We continue to collaborate with other councils on joint procurement activities, and with organisations such as the HCA in order to utilise existing (e.g. OJEU compliant) framework agreements. We will consider how to share procurement expertise and buying power with town and parish councils.</p>	<p>Colin Slater</p> <p>Start date: Sept 2009</p> <p>End date: April 2010</p>

No.	Recommendation	Priority	Management response	Implementation details
17	More clearly demonstrate how performance information is actively used in short term decision making.	Medium	Ways of evidencing this will be explored in the New Year.	Bob Darbourne Start date: Jan 2010 End date: March 2010
18	Ensure robust arrangements are in place to verify the accuracy of information and data received from other organisations.	Medium	This action is already on the Data Quality Action Plan. We are in the process of developing an overall Information Management Strategy which will encompass Data Quality both internally and externally. A systems analyst, Jim McLachlan, has been assigned to the work and is currently investigating best practice and latest guidelines.	Chris Powell Start date: Nov 2009 End date: April 2011
19	Provide data quality training to all staff involved in the preparation of performance data and indicators.	Medium	Training was undertaken during the spring so that responsible officers can input progress on Service Plan objectives directly onto SPAR.net for quarterly monitoring for the first time. An indepth data quality training programme on PIs will be created in the New Year.	Bob Darbourne Start date: April 2009 End date: March 2010

No.	Recommendation	Priority	Management response	Implementation details
20	<p>Personal development plans of members should continue to be used to ensure members have the right skills for their role.</p>	<p>Medium</p>	<p>The Member Development Working Group meets regularly to discuss member development issues including the annual training plan, progress in respect of the Member Development Charter and issues which may be acting as a barrier to Councillors in carrying out their roles. The Charter framework for Member Development is being used as a useful tool to help embed training and development within the Council. The initiative is Member-led. The Working Group recommended that a Member Champion for Member Development be appointed and that appointment was made at the Annual Council meeting in May 2009. The Champion now works closely with the Portfolio Holder – Resources and the Democratic Services team to promote and progress member development for the benefit of the Council and its services.</p>	<p>Diana Vernon Start date: in progress End date: ongoing</p>
21	<p>Complete the partnership review which was started in 2008-09, including maintaining a central record of all partnerships and core information relating to each one.</p>	<p>High</p>	<p>A new policy has been adopted by SMT.</p>	<p>Peter Jeffs Start date: in progress End date: progress to be reviewed during 2010/11</p>

No.	Recommendation	Priority	Management response	Implementation details
22	Introduce and actively maintain a corporate risk register which should be monitored by a members, perhaps through the Audit and Governance Committee, on a quarterly basis.	High	The new Corporate Risk Register is now up and running and fully populated. It will be the subject of regular review and update. Review dates and email reminders have been set up within the system to ensure Directors and Heads are reminded to update when necessary.	Tanith Cox Start date: July 2009 End date: ongoing
23	Continue to consider the future delivery of the internal audit service to guarantee that each annual internal audit plan is completed.	High	The progress made on the future delivery of the internal audit service will be reported to the December Audit and Corporate Governance Committee.	Diccon Pearse Start date: in progress End date: Sept 2010
24	Implement the recommendations made by the Audit Commission in the housing benefits inspection.	Medium	An Action Plan has been agreed.	Simon Davey Start date: Nov 2009 End date: June 2010
25	A programme of proactive counter fraud and corruption work, based upon a robust risk assessment, should be agreed and undertake each year.	High	In response to the recently published Audit Commission report 'Protecting the Public Purse' the Council's governance and counter-fraud arrangements are to be reviewed.	Diccon Pearse Start date: in progress End date: March 2010

No.	Recommendation	Priority	Management response	Implementation details
26	Continue to work with other councils through joint workforce planning.	Medium	Work on shared services is ongoing and may be more actively pursued as a result of the LSTG and the Sustainable Community Plan.	Diccon Pearce/Karen Jenkins Start date: in progress End date: position to be reviewed during 2010/11
27	Strengthen arrangements to achieve the requirements of level two in the equalities standards and then work towards level three.	Medium	These standards no longer exist and have been replaced by a new framework. A fixed-term Diversity Officer has been taken on for one year with Mid Devon District Council to reach the next level of the new standard.	Peter Jeffs Start date: in progress End date: October 2010
28	Continue to develop initiatives to address and reduce levels of absence, particularly long term.	High	A Quarterly Absence Monitoring Report to the Service Delivery and Performance Overview and Scrutiny Committee commenced in September 2009.	Karen Jenkins Start date: in progress End date: position to be reviewed after the fourth quarter report

B CAA and the new Use of Resources framework

The Old UoR Regime

Local authorities' Use of Resources (UoR) has been assessed by external auditors under the Comprehensive Performance Assessment (CPA) regime since 2005. Until 2008, this took the form of an assessment in each of the following 5 areas:

- financial reporting;
- financial management;
- financial standing;
- internal control; and
- value for money.

Authorities received an overall UoR score, and a score for each area as set out below.

Score	Key
1	Below minimum requirements - performing inadequately
2	At only minimum requirements - performing adequately
3	Consistently above minimum requirements - performing well
4	Well above minimum requirements - performing strongly

This score directly influenced each organisation's overall CPA score and had a significant impact on external perception and reputation.

The move to Comprehensive Area Assessment

The CPA regime provided an effective roadmap and stimulus for improvement, which helped many authorities to move in the right direction, focusing on externally validated strengths and weaknesses. This was reflected by a national picture of gradually improving scores and assessment results from 2005-8, and improving services to the public.

However, in order to build on the success of CPA, the Audit Commission recognised the need to:

- ask "how well are people served by their local public services" rather than "how well are people served by their Councils";
- focus on outcomes for an area, not just on individual organisations;
- consider local priorities rather than apply a "one-size fits all" approach;
- consider whether performance is likely to improve in the future, rather than how it has improved in the past; and
- place less importance on compliance and rules to reflect local differences.

In late 2007 the Audit Commission began to consult on a new framework for comprehensive area assessment (CAA), of which an updated UoR assessment would be a key component. The CAA framework that emerged focuses on areas rather than the organisations within them, and holds local partners jointly to account for their impact on the things that matter to the area as a whole. The CAA asks three key questions.

- How well do local priorities express community needs and aspirations?
- How well are the outcomes and improvements needed being delivered?
- What are the prospects for future improvement?

The CAA does not give an overall score, as was the case for CPA. However, there will be green flags given for innovative or exceptional performance and red flags given to indicate concerns about outcomes and performance.

CAA - key changes

CPA	CAA
Local government focus	All sectors and partners
Institution based	Area based
One size fits all	Focus on local priorities
Performance	Outcomes and perceptions
Collaboration between regulators	Joint assessment
Cyclical inspection	Continuous assessment, proportionate inspection
Focus on past performance	Focus on future improvement

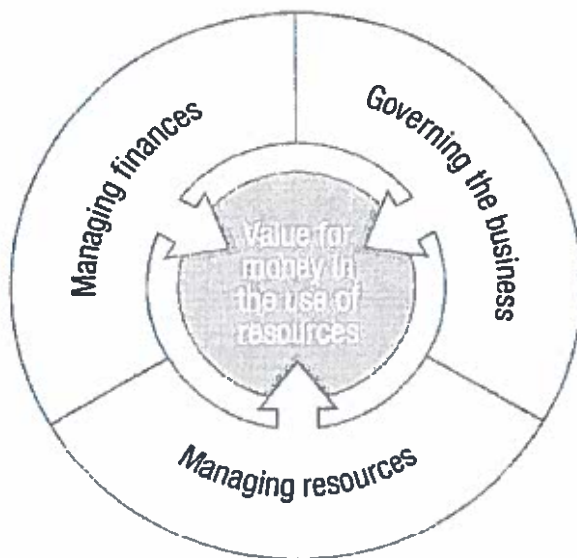
Source:- Audit Commission

Use of Resources under CAA

Alongside the area assessment, CAA will include organisational assessments for key public sector organisations including councils, primary care trusts (PCTs), police forces and fire authorities. Each organisational assessment consists of two components; an assessment of how effectively the organisation is addressing its own priorities, called "managing performance" for councils, and an updated UoR assessment will be applied similarly across the different types of organisation.

The new UoR framework under CAA applies from 2008-09. The diagram below shows the overall approach to the revised UoR framework. There are three themes replacing the five areas included in the old framework, and a number of key lines of enquiry (KLOEs) within each theme.

Use of Resources under CAA (source: the Audit Commission)



The individual KLOEs for each theme are detailed in the main body of this document. Scoring criteria are set out in appendix C.

C Scoring criteria and rules

The table below summarises the criteria used to reach scored judgements for each KLOE.

Level 2 Performs adequately	Level 3 Performs well	Level 4 Performs excellently
Arrangements consistent with established professional practice and guidance, meet statutory requirements and operate effectively.	Implemented effective arrangements that are: <ul style="list-style-type: none"> ➤ forward looking and proactive in identifying and developing opportunities for improvement; and ➤ include more sophisticated measuring and assessment techniques. 	Demonstrating innovation or best practice .
Arrangements sufficient to address the KLOE.	Outputs and outcomes demonstrate arrangements which are effective and have the intended impact , and show evidence of effective partnership working .	Demonstrating strong outcomes for the community including through partnership working .
Arrangements achieve minimum acceptable levels of performance .	Evidence of performing consistently above minimum acceptable levels and achieving VFM .	Evidence of performing well above minimum acceptable levels and achieving excellent VFM .

Theme scores are derived from a numerical average of the KLOE scores within that theme. In some cases such as theme 2 or theme 3 when only 2 out of 3 KLOEs are assessed, the average of KLOE scores could result in a number ending in .5. In such cases the following rules apply in 2008-09:

- For theme 2, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 2.2. Examples - KLOE scores of 3,2,2,2 = theme score of 2. KLOE scores of 3,2,3,2 = theme score of 2. KLOE scores of 2,3,3,2 = theme score of 3.
- For theme 3, if the average KLOE score ends in 0.5, then the theme score will be rounded up or down to the score for KLOE 3.1. Examples - KLOE scores of 3,2 = theme score of 3. KLOE scores of 2,3 = theme score of 2.

The Audit Commission document at the link below details the overall approach to UoR framework and full details of scoring methodology.

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

In addition the Commission published auditor guidance for the UoR framework. This is available at the link below. This provides details of the specific KLOE's and expected indicators for levels of performance.

<http://www.audit-commission.gov.uk/localgov/audit/UoR/Pages/guidance.aspx>

D KLOEs specified for assessment in 2008-09 and 2009-10

Some KLOEs are assessed on a rotating basis. The table below summarises the KLOEs that were assessed and formed the basis for the VFM conclusion in 2008-09.

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	Y	N	N
3.2	Asset management	Y	N	Y*
3.3	Workforce management	N	Y	Y

*only assessed at PCTs with a significant asset base.

For the 2009-10 assessment, the following KLOEs will be assessed and will form the basis for the VfM conclusion. Scores achieved in 2008-09 will continue to apply for 2009-10 for those KLOEs not being re-assessed.

		Single tier or county council	Districts	NHS PCTs
Theme 1 - Managing finances				
1.1	Financial planning	Y	Y	Y
1.2	Understanding costs	Y	Y	Y
1.3	Financial reporting	Y	Y	Y
Theme 2 - Governing the business				
2.1	Commissioning and procurement	Y	Y	WCC
2.2	Use of data	Y	Y	Y
2.3	Good governance	Y	Y	Y
2.4	Internal control	Y	Y	Y
Theme 3 - Other resources				
3.1	Environmental management	N	Y	Y
3.2	Asset management	Y	N	N
3.3	Workforce management	Y	N	Y

*only assessed at PCTs with a significant asset base.

Full details of the scoring methodology are provided at the Audit Commission's website at the address below.

<http://www.audit-commission.gov.uk/SiteCollectionDocuments/Downloads/uorframework2008updatefeb09.pdf>

E Identifying outcomes, outputs and achievements

Identifying outputs, outcomes and achievements

In order to score level 3 or above in the new UoR assessment framework, organisations were required to show that processes are effective and having the intended impact. This is an important shift in emphasis from the previous framework, within which organisations could achieve top scores by demonstrating excellent processes. The table below gives generalised examples of the types of outcome that have led to higher scores.

Table 4: Illustrative examples of outcomes, outputs and achievements by KLOE

NOTE - these examples are for illustration only and do not comprehensively cover each KLOE. Refer to section 2 for KLOE headings.

	Outcome	Output	Achievement
1.1	Investment in priorities leads to improved performance	Savings targets met, performance reward grant achieved	Positive external assessment
1.2	Improved relationship between costs and performance	Service reviews completed identifying opportunities	Development of effective corporate efficiency programme
1.3	Healthy financial position	Improved financial skills	Early close of accounts, clean audit
2.1	Improved service performance at lower cost	Completed commissioning / procurement exercises	Innovative approach to joint commissioning External recognition for procurement
2.2	Better-informed decisions and robust data to stakeholders	Improved internal performance reporting	Finding and fixing problems with own or partner data
2.3	Flexibility and responsiveness whilst maintaining focus	All members trained in ethical behaviour	Achieving a more balanced political process
2.4	Risks identified and mitigated, frauds recovered	Development and review of risk registers	Development of effective partnership risk framework

	Outcome	Output	Achievement
3.1	Reducing emissions and water consumption	Training of environmental champions	Enrolment in carbon reduction programme
3.2	Improving condition of assets	Income from disposal of unwanted assets	Better office accommodation
3.3	Meeting skills gaps, improving staff satisfaction	Reducing turnover and sickness absence	Investors in people accreditation

There are some common sense principles that should be taken into account when seeking to identify outcomes:

- organisations should not have to identify new outcomes for the purposes of UoR assessment. These should be identified and captured through existing management activity; organisations should understand how their processes help them to achieve their priorities;
- outcomes and outputs should be measurable where possible, but if this is not the case then a qualitative description of the improvement is still useful;
- there may not be a one-to-one relationship between processes and outcomes. There may be a small number of outcomes that arise as the net effect of a processes across a KLOE area; and
- if you are having difficulty then discuss the area with your UoR auditor.

Our approach to ensuring consistency

In line with the Audit Commission's move to Comprehensive Area Assessment, the new use of resources framework has been designed to provide more flexibility to recognise local issues, priorities and achievements. This has given auditors more freedom to establish the individual story of each organisation, rather than applying a rigid best practice template. To support this, both the Audit Commission and Grant Thornton UK LLP have put in place new arrangements for ensuring that judgements and scores are reached in a fair and consistent way.

The Audit Commission has:

- provided extensive guidance and training;
- introduced an area-based challenge process bringing together auditors within each region to discuss and challenge indicative scores;
- increased the visibility of comparative scores and commentary for auditors; and

- undertaken a detailed final quality assurance process including statistical analysis across suppliers, regions and types of organisation.

Grant Thornton has:

- provided internal training and guidance;
 - developed a network of regional leads to oversee the audit process nationally;
 - undertaken a number of internal consistency and challenge sessions, comparing our clients to each other and with their regional neighbours; and
-
- undertaken detailed review and quality control of scores and conclusions.

Agenda Item 9

Audit and Governance Committee

3 December 2009

SD



Implementation of International Financial Reporting Standards (IFRS)

Summary

International Financial Reporting Standards (IFRS) will be applicable for the 2010/2011 Statement of Accounts. 2009/2010 figures will need to be restated to comply with IFRS, making it necessary to collect data from 1 April 2009.

In order to successfully convert to IFRS support will be required from several areas of the Council and will have a significant impact on the Finance team. This report highlights the key issues, the risks involved and the possible resource implications.

Recommendation

The Committee are asked to note the requirement to implementation IFRS and consider the issues involved.

a) Reasons for Recommendation

The Council's accounts are currently prepared using UK Generally Accepted Accounting Practice (UK GAAP); from 2010/11 the Accounts will be prepared under International Financial Reporting Standards (IFRS). This change does have an impact on the Council's staff resources and the changed accounts could have financial implications. Members need to be aware of these changes and ensure themselves the Council will comply with the accounting standards within the statutory deadline.

b) Alternative Options

The Council has no alternative but to implement IFRS, there are alternatives in terms of resourcing the implementation.

c) Risk Considerations

Risks of not implementing IFRS accurately and on time could mean a qualified audit opinion in 2010/2011. This would also have a negative impact on our Use of Resources assessment.

d) Policy and Budgetary Considerations

These are outlined in the report.

e) Date for Review of Decision

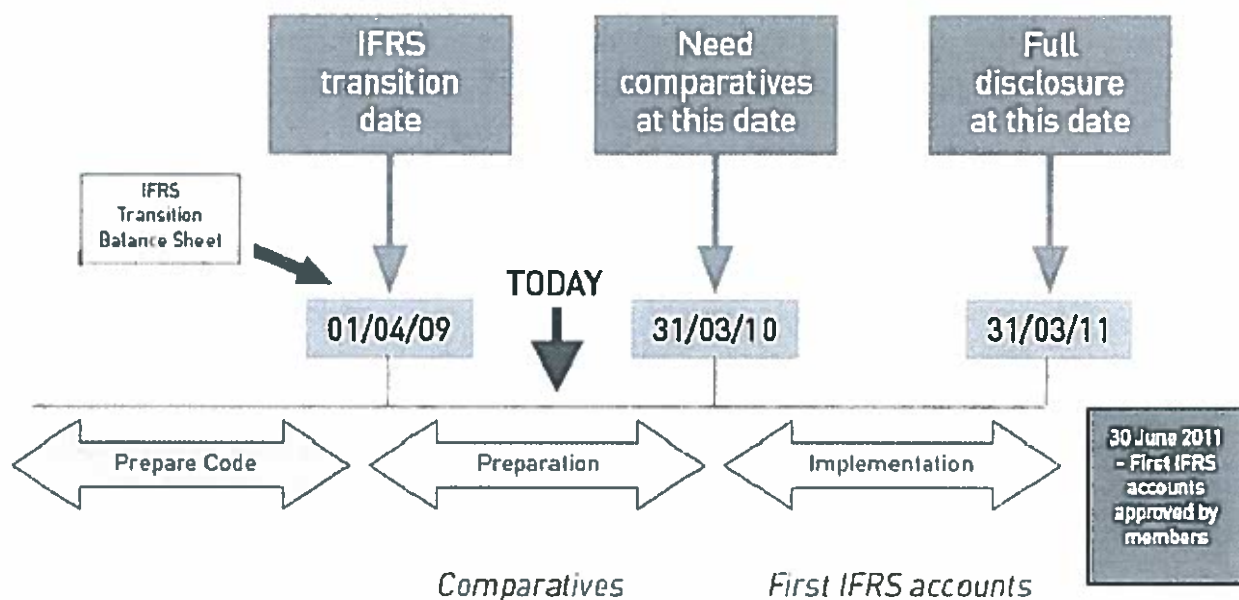
Progress reports will be made to the Audit and Governance Committee at key times of implementation.

1. Background

- 1.1 The purpose of this report is to brief Members on the impact of International Financial Reporting Standards (IFRS) to the Council. This report includes details of the timetable for implementation, the accounting implications as well as the likely staffing implications.
- 1.2 The Statement of Accounts for local authorities are currently prepared under UK accounting standards (UK GAAP). From 2010/2011, these will need to be prepared under IFRS. This change has been imposed on the whole of the public sector by the Government following an announcement in the March 2007 budget.
- 1.3 Listed companies in the private sector implemented IFRS in 2005. Central government and the NHS will be reporting under IFRS from 2009/2010, a year earlier than local authorities.

2. Timetable of implementation.

- 2.1 The first set of IFRS accounts will be for the 2010/2011 financial year. These will need to be approved by 30 June 2011. However, as the comparative figures for the previous year will need to be restated in these accounts, the earliest date that we need to gather IFRS information is 1 April 2009 (see Figure 1).



- 2.2 Appendix 1 contains an outline project timetable that will ensure that the key deadlines are met (key milestones are highlighted).

3. An analysis of the Key Changes

- 3.1 Below are the main key changes which will affect our accounts and will require time to analysis.

➤ Leases

- All existing leases (where the Council is both lessee and lessor) need to be reviewed as some leases could now be treated differently in the accounts. For accounting purposes there are 2 types of leases; finance leases and operating leases. Operating leases are 100% revenue expenditure and finance leases have payments split between capital expenditure and interest payments. The rules of determining the type of lease have been revised and most importantly more emphasis is placed on judgement rather than a quantitative test. Individual components within lease arrangements may need to be split out separately with land elements treated as an operational lease and a building as a finance lease.

- IFRS introduces the concept of 'lease type arrangements'. Implementation could require the Council to recognise a lease of assets held by contractors but used only for the Council's contracts. This could potentially have an impact for the Council because it will require a review of all our major suppliers and partnerships. For example, if our contract with Sita gives the Council 'control' of the refuse vehicles, then these vehicles should be taken onto our balance sheet.
- Officers have to re-examine all of the Council existing leases and determine how to account for these leases under IFRS accounting. If there is a change in how some leases will be treated, which is likely, then calculations will need to take place going back to the date of the original inception of lease. Currently the Council does not have any finance leases recorded; it is likely under IFRS that more leases will be deemed as finance leases. If we find that we do have finance leases then technically this will affect the Council's debt free status.

➤ Other Fixed Asset Issues

- Material components of assets should be accounted for separately (e.g. the Knowle office building could be accounted for separately for material parts and fixtures such as the roof, walls, lifts, boilers etc.). This could lead to additional work for the Valuers and more assets being held in the asset register.
- There are different accounting rules for revaluations and impairments. Impairments can be a downward valuation due to a fall in market prices, or a loss in value due to an event which affects its value, such as a fire or obsolescence.
- Certain assets will require a different valuation method than used currently. Two valuations may therefore be needed for 2009/2010: one for the 2009/2010 accounts under UK GAAP; and one for the restated valuation in the 2010/2011 accounts under IFRS. In order to calculate the entries for each asset, valuations will need to be completed in line with the new accounting standards and accordingly the Royal Institute of Chartered Surveyors (RICS) has issued guidance on how to achieve this. There could however be a cost to carrying out this work if external valuers are required to assist the process; our property services team will have to make an assessment of this once the full implications of revaluations are known.
- These changes will have an impact on councils asset registers in terms of changes to individual assets and the information required to be held. We hold our assets on IPF (Institute of Public Finance) asset register software which will comply with the new requirements. We are not expecting significant additional costs for the new modules required, but we are waiting confirmation of this.

➤ Employee Benefits

- All benefits payable during employment will need to be accounted for in the period in which the benefit has been earned by the employee. All untaken holidays and flexitime at the end of the financial year will need to be accrued for. Additional information will therefore need to be gathered for the accounts, the majority of this information can be taken from our time recording system but not all details for all staff is held. This has meant and will continue to mean that annually we will have to carry out sample work to gain this information.

➤ Group Accounts

- Under IFRS a local authority only needs the power to influence another entity (rather than to actually exercise it) for it to be treated as part of the group. A full review of all related parties will need to be carried out.

➤ **Presentation**

- There are significant changes to the main statements. The new formats will need to be explained to Members at an early stage in preparation for the Committee to be able to undertake its role in the scrutiny of the Accounts.
- When listed private sector companies implemented IFRS in 2005, they saw an increase of 50% to 60% in the size of their financial statements. IFRS requires more disclosure notes than is currently the case; however CIPFA has reviewed the disclosure notes and have sought to remove some disclosures where it is not absolutely necessary.

4. Impact on Budgets and Council Tax

4.1 Whilst some of the changes will give rise to a change in the net expenditure reported each year, CIPFA have stated any impact on Council Tax would be mitigated through statutory accounting adjustments. Details of mitigation are required from the DCLG (Department of Communities Local Government).

5. Implications of implementation.

5.1 The changes brought about by IFRS will require input from across the Council. The following is an indication of the services that will need to provide input into the project:

- Leases – All services that are involved in procurement, Property Services.
- Other Fixed Asset Issues – Property Services, Finance
- Employee Benefits – Individual staff (sample basis), Finance
- Group Accounts – Some services, Finance
- Presentation and Technical issues – Finance

5.2 There are a number of specialists that are offering assistance with the conversion to IFRS. However, the intention at this stage is to use existing staff to manage the transition. A project team has been formed and are currently working on the issues with assistance from other officers as required. The project team consists of: Simon Davey (Project Lead – Head of Finance), Laurelie Gifford (Senior Accountant), Claire Read (Assistant Accountant), Donna Best (Principle Estates Surveyor) and Rob Chalklin (Estates Surveyor).

5.3 We are working with Devon County Council, who have dedicated staff working on the implementation, and other Devon districts as a group to implement the changes. This joint working involves sharing knowledge and experience and running joint project meetings.

5.4 An Equality Impact Assessment has not been completed at this stage since the full impact of IFRS has not been assessed.

Legal Implications

There are no issues requiring legal comment

Financial Implications

These are detailed in the report. These comments relate to the presentation of the final accounts and it is envisaged will

Background Papers

Finance papers and CIPFA publications

Appendix 1

Key stages/mile stones to implementation.

	Step	Completion Dates
1	Carry out high level assessment – what are the implications/understand changes to accounting policies.	March 2009 Continuing process as more information is published
2	Sign up to County wide project team for implementation of IFRS	March 2009
3	Determine areas where information needed to restate 1 April 2009 balance Sheet. Particularly consider information which is time bound and needing recording at particular stages.	March 2009
4	Set up formal EDDC project team with key personal	October 2009
5	Key staff trained on IFRS transition	Ongoing
6	Identify systems and procedural changes required (Chart of accounts/asset register etc)	December 2009
7	Consider implications of IFRS in compiling 2010/11 and later budgets on IFRS	October 2009 to January 2010
8	Identify all leases and carry out assessment of Finance or Operating lease.	October 2009 to June 2010
9	Adopt EDDC draft accounting policies under IFRS	February 2010
10	Determine and ensure fixed asset are correctly classified for IFRS	February 2010
11	Revaluations of assets under IFRS	June 2010
12	Restate 2009/10 accounts for 2010/11 IFRS comparisons	June 2010 to December 2010
13	Produce 2010/11 accounts on IFRS basis	April 2011 to June 2011

In addition to the above, the processes and timetable for producing the 2009/10 Accounts under UK GAAP will still need to be undertaken and this has been acknowledged in formulating the above timetable to try and accommodate this work as well. Finance is a small team and the Financial Services Manager post is being held vacant, it maybe necessary to employ an agency resource at stages to backfill at particular pressure points in the workload.

Agenda Item 10

Audit & Governance Committee

3rd December 2009

SC/TC



Health & Safety responsibilities of Elected Members

Summary

Elected Members have a responsibility for ensuring the Council's health and safety arrangements are adequate. They also need to consider health and safety implications when making decisions on behalf of the Council or their electorate.

Recommendation

To make Members aware of their responsibilities and to make a recommendation to full council that the attached booklet be distributed to Members and that the training offered to Members be encouraged.

a) **Reasons for Recommendation**

To help Members understand their responsibilities for health and safety.

b) **Alternative Options**

None.

c) **Risk Considerations**

The Council has a Duty of Care towards its staff and to the wider community; the Council's corporate risk register contains various risks relating to this.

The Strategic (Corporate) Risks are:

004-RK-0077 – Death, illness or injury due to a Council act or omission

004-RK-0078 – Failure to exercise our legal duty

004-RK-0079 – Prosecution of Council for public safety contraventions

The Operational (Service) Risks are:

EH-RK-0042 – Failure to ensure adequate food safety and health & safety enforcement

EH-RK-0038 – Failure to ensure health and safety is properly managed

d) **Policy and Budgetary Considerations**

There are no budgetary implications.

e) **Date for Review of Decision**

N/a

1.0 Introduction

Local authorities are major employers and must exercise their Duty of Care for the health and safety of their employees. They are also major purchasers of goods and services from other organizations and use contractors on a regular basis to provide essential works and services. As a major purchaser, the Council has an opportunity to influence the wider business community and to insist on high standards of health and safety.

Local authorities are partners with the health and Safety Executive as regulators of workplaces. Enforcement of the districts health and safety is carried out by the Council's Environmental Health Service.

Members need to understand their responsibilities too, and that they have influence over budget and policies decisions; and have a responsibility to consider the health and safety implications when making decisions.

Members will be given a presentation today, together with a booklet produced by the Institute of Occupational Safety and Health, entitled "Think about Health and Safety", which outlines the responsibilities of elected members. Our insurers, AIG, have been asked to provide a half-day course "Health and Safety briefing for Elected Members" which will take place in due course.

Legal Implications

No direct legal implications.

Financial Implications

No direct financial implications.

Consultation on Reports to the Executive

Background Papers

Think about Health & Safety – IOSH booklet

Stephen Cross
Health & Safety Manager

Agenda Item 11

Audit & Governance Committee

3rd December 2009

TC



Response to ICT Action Plan – ICT Services

Summary

An audit was conducted into the Council's ICT arrangements during 2008/09 culminating in a report (Executive Summary) and action plan being presented to the Committee in January 2009. Following on from this, Internal Audit's Annual Report presented to the Committee in June 2009 highlighted the weaknesses found in this area and the fact that there was currently no ICT audit expertise to conduct the 'follow up' to this review to ensure that the recommendations made and agreed were being implemented. At that meeting the Chief Executive confirmed that it was appropriate to seek an interim report from the Head of ICT on the progress being made in implementing recommendations. It was suggested that the Portfolio Holder – Communications be invited to a future Audit & Governance Committee meeting where the concerns raised in the audit could be discussed together with an update on the remedial action being taken by the Service. Members recognised that it was the role of the Portfolio Holder to keep a watching brief on ICT systems and procedures.

Internal Audit have received a response from the Head of ICT (this is attached to this Committee Report).

Internal Audit currently do not have the expertise required to conduct a follow up to this technical audit, however there are some areas that we are able to comment and these are stated in the report. We note that in some cases the dates committed to by the Head of ICT in the original Action Plan have slipped.

Recommendation

That the Audit & Governance Committee note the response received from the Head of ICT and note the further comments of Internal Audit.

a) **Reasons for Recommendation**

To help Members of the Audit & Governance Committee monitor the action being taken by the Head of ICT to mitigate the failings and risks found in his service area.

b) **Alternative Options**

None.

c) **Risk Considerations**

The Council's Corporate Governance framework relies on the adequacy and effectiveness of the Council's information systems, councilors, strategic management team and heads of service make far-reaching decisions based on the information extracted from the Council's computer systems, without robust and rigorous controls in place, the Council cannot place reliance on the integrity of its operating data, and more significantly the Council's corporate governance arrangements are seriously compromised

d) **Policy and Budgetary Considerations**

There are no budgetary implications.

- e) **Date for Review of Decision**
N/a
-

1.0 Introduction

1.1 The ICT audit took place during the period September to November 2008 and was conducted by means of discussion with relevant staff, review of documentation and system interrogation. The audit focused on management controls, access controls, operational controls and system development controls.

Management Controls

1.2 The review highlighted concerns over the accuracy and quality of reporting to the Programme Board. In particular, the Novell-Microsoft migration had a cost estimate of £47,000 (business case), an agreed Budget of £50,000 but the total cost at the date of the audit was £157,509 (October 2008). We were of the opinion that this cost would rise further.

1.3 We recommended in the main report that membership of the Programme Board be extended to enable a more 'challenging' response; for instance to extend an invitation to the Portfolio Holder for ICT.

1.4 We were also concerned with the disregard shown to the council's policies and procedures where ICT contract staff were hired without adherence to HR procedures and the use of such staff is not recorded in the council's HR system (Trent).

1.5 Furthermore, we found breaches to the Council's Financial Regulations and Contract Standing Orders associated with the contract for Microsoft Migration / Office 2007 training.

1.6 We were of the opinion that the structure of ICT does not focus on Service Delivery and Security. Without these essential elements, the Council cannot be assured that the problems relating to this important area (which are highlighted in the main report) will receive adequate attention.

1.7 We were also of the opinion that there is a pressing need for a benchmarking exercise to be conducted in order that the Council can be assured that ICT is delivering Value for Money.

Access Controls

1.8 The review revealed significant weaknesses in the security of the Windows XP operating system and the Council's Novel network. Management reacted positively to some of our findings in this area. It was also recognised that the security review phase of the Novell-Microsoft project has not yet been conducted and that the need to comply with the Code Of Conformance for the GovConnect project will address these areas.

Operational Controls

1.9 As mentioned above, there was a lack of focus on Service Delivery and significant failings were found in the Help Desk processes. We reported also that the Council's Disaster Contingency Plan for ICT is not viable.

Systems Development

1.10 We found that many documents which are regarded as key milestones of the Prince 2 system development methodology do not appear to have been produced both for live and closed projects.

2.0 Response to Head of Service Revised Action Plan

2.1 4.1.1.1 / 4.1.1.2 / 4.1.1.3

Noted.

2.2 4.1.2 Legal Compliance "Synergykey"

Noted, the Head of ICT to report back to Internal Audit as appropriate.

2.3 4.1.3 / 4.1.4 / 4.1.5

Noted.

2.4 4.1.7 Microsoft Migration / Office 2007

Contract Standing Orders set out various options for Heads of Service to follow, a 'preferred list of suppliers' is one way, however an 'Expression of Interest advertisement' would have been equally acceptable, and this is stated as a viable way forward in the Contract Standing Orders. The other option would have been to seek an 'Exemption to Standing Orders'.

2.5 4.2.1 through 4.2.8

Noted.

2.6 4.3.1.

Noted.

2.7 4.3.2 Disaster Recovery

Members can be assured that the Council's disaster recovery arrangements are viable, the point we were referring to related to the fact that it had been necessary to recover some data from the back up tape store at the Knowle in order to carry out the previous test. In our opinion it is possible that in the event of a disaster, the back up tape store may well be cordoned off by the emergency services and would not be accessible. We are also concerned that the date has slipped since our initial review, the original implementation date for this action was March 2009.

2.8 4.3.3 through 4.3.6

Noted.

2.9 4.4.1

Noted.

Legal Implications

No observations are needed.

Financial Implications

No direct financial implications.

Consultation on Reports to the Executive

Background Papers

ICT Audit Report – November / December 2008

ICT Audit Action Plan

Tanith Cox

Audit & Governance Manager

2008-09 ACTION PLAN – ICT SERVICES

Receiving Officers: DP/ CJP / ICT Managers

Responsible for Reply: Chris Powell

Audit Officer – Graham Stubbs – Contract Computer Auditor

		FOLLOW UP SECTION			
	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
4.1 Management Controls					
4.1.1 Compliance with Policies					
4.1.1.1 Email Policy					
	Further research should be conducted to establish whether just sending a link as opposed to attaching the text itself creates any issues.	C J Powell (January 2009)	Will consult Legal services	4.1.1.1 Legal services asked for advice on 24/8/09 and now awaiting results of research. Results: Best practice, in legal terms, is to put the disclaimer at the front of every email. This is not a popular action as it make the email more difficult to read and few councils do this. Putting the disclaimer in a link at the end of each email does cover us and does make the email more readable.	
4.1.1.2 Email Policy Breaches					
	Internal Audit should be fully informed when any instances of non compliance with the Email Policy occur. The ownership of the Email Policy should be investigated and the policy and processes changed as appropriate	C J Powell (March 2009)	Agreed	4.1.1.2 Agreed. A single swear word constitutes a breach of the email policy and the automatic scanners pick this up. This occurs mainly with incoming emails over which we have no control. In the interests of efficiency and pragmatism these single instances are not raised to management or audit. Breaches of policy that are more significant are reported to audit (and the Programme Board) who will convene the Fraud Forum as they see fit. Ownership reviewed and remains as is. Owned by HR with support from ICT and Legal.	
4.1.1.3 Security Breaches					
	Internal Audit should be fully informed when any security breaches occur.	C J Powell (March 2009)	Agreed		
Yellow					
RESIDUAL RISK					
Green					

	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K	<p>4.1 Management Controls</p> <p>4.1.2 Contract Staff Policy Compliance All contract staff should be fully registered in the Trent system and included in the total headcount figures presented to council members.</p> <p>Interflex Contract staff should be made to clock in and out along with the majority of council staff.</p> <p>Legal Compliance If the ICT service intend to continue to use Synergykey then this company should be added to the council's 'preferred supplier' list, which we understand is now controlled by Devon County Council.</p> <p style="text-align: right;">Yellow</p>	<p>Agreed Audit Contractor (GS) January 2009</p> <p>C J Powell / T Wilson (March 2009)</p> <p>C J Powell / K Jenkins (March 2009)</p>	<p>The Head of ICT stated that he sent the necessary paperwork to HR.</p> <p>An audit of HR/Payroll will be commenced in January 2009 and this will be verified during the review.</p>	<p>The policy of clocking in of "contract" staff is with payroll to determine. Temps, contract staff, contractors and consultants will all then follow this policy.</p> <p>The DCC preferred suppliers list will be investigated and Synergykey will be added if possible.</p> <p>In progress aiming for March 2010.</p>	R E S I D U A L R I S K
					Green

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
R E S I D U A L R I S K	<p>4.1 Management Controls</p> <p>4.1.3 Reporting to the Programme Board The end project reports submitted to the Programme Board should show:</p> <ul style="list-style-type: none"> • The original cost estimate from the Business Case • The eventual cost • The original 'planned' start date 'v' the actual start date <p>The incorporation of the above would allow the Programme Board to be more 'challenging' of the information presented. For instance, the Novell-Microsoft migration had a cost estimate of £47,000 in the business case, an agreed Budget of £50,000 and total cost to date of £157,509 as at (October 2008).</p> <p>We are also of the opinion that this cost will rise further.</p> <p>Yellow</p>	C J Powell (March 2009)	<p>Changes will be made to the information presented to the Programme Board</p> <p>Miscoding in Cedar will be corrected.</p>	<p>The presentation of information for the Programme Board is continually evolving as needs arise.</p> <p>Changes to the presentation have been made recently to provide direct connection to the Finance System.</p> <p>The miscodings in Cedar were corrected in January.</p> <p>The project costs have not risen further since the recoding.</p>	Green

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.1 Management Controls</p> <p>4.1.3 Reporting to the Programme Board Continued ...</p> <p>The information provided to the Programme Board should contain additional information in line with the above points to enable a more 'challenging' response.</p> <p>In line with other officer groups in the council, consideration should be given to extending the membership of the Programme Board to ensure more objectivity and independence; for instance the Portfolio Holder for ICT could be invited.</p> <p>Internal Audit will investigate the subject of budget entry in their review of the main accountancy system due to take place in early 2009.</p> <p>Yellow</p>	<p>4.1 Management Controls</p>	<p>C J Powell (March 2009)</p>	<p>Changes will be made to the information presented to the Programme Board</p>	<p>As from previous answer the information and presentation will continuously evolve.</p>	
	<p>Disagree C J Powell</p> <p>Internal Audit (Jan 2009)</p>	<p>The Portfolio Holder receives copies of Programme Board minutes</p>	<p>The Portfolio holder continues to receive copies of the minutes.</p>	<p>Green</p>	

R E S I D U A L R I S K

C U R R E N T R I S K	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
4.1 Management Controls	4.1.4 ICT Structure Clear responsibilities for Service Delivery and Security should be defined and communicated throughout the council as an aid to clarity.	C J Powell (March 2009)	Agreed	4.1.4 ICT Structure As explained to IA a reorganisation had already been long in planning to provide this clarity. This change was finally implemented in June and is so far proving successful.	
4.1.5 ICT Benchmarking	A benchmarking exercise should be performed and data should be compared regularly to ensure the council is receiving value for money	C J Powell (March 2009)	A benchmarking exercise has been scheduled for Q1 2009	4.1.5 Benchmarking The traditional ICT benchmarking exercise is to use SOCITM. This costs over £5000. The reports did not prove especially useful when this exercise was carried in 2007 mainly because of the variations in data collection method amongst contributors. However, the South West has a forum for sharing key information and data for comparison purposes and we have signed up for this (run through CIT). Once comparison data is published the data will be sent to the Programme Board for review. The Devon IT Managers have also recently agreed to data sharing amongst ourselves, mainly as a result of budget cuts. This is in the early stages and no dates are available yet.	Green

Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>C U R R E N T R I S K</p> <p>4.1 Management Controls</p> <p>4.1.6 Control of Contractors</p> <p>All contractors must be registered in Trent and expiry dates should be set for say 6 months to enable more effective monitoring and statutory reporting of the total council headcount.</p> <p>Yellow</p>	<p>Agreed Audit Contractor (GS) January 2009</p>	<p>An audit of HR/Payroll will be commenced in January 2009 and this will be confirmed during the review.</p>		<p>Green</p>
R E S I D U A L R I S K				

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.1 Management Controls</p> <p>4.1.7 Microsoft Migration / Office 2007 A mechanism exists within CSOs to draw up a preferred list of contractors/suppliers to carry out work for the council.</p> <p>In future, the Corporate Director should ensure that a public advertisement is placed in the local newspaper and on the council's web site seeking expressions of interest from ICT service companies/contractors located in Devon.</p> <p>Arising from this exercise the Corporate Director should ensure the production of a select list of preferred contractors/suppliers and ensure that this list is maintained by an independent directorate/sub-directorate.</p> <p>Any further quotation exercises should utilise the companies/contractors appearing on the councils preferred list.</p> <p>Red</p>	<p>C J Powell December 2008</p>	<p>CSO to be followed when awarding contracts for the supply of goods and services.</p> <p>Exemption to CSO to be applied for in accordance with the established procedure (if applicable).</p>	<p>The exemption to CSO process will be used appropriately.</p> <p>The new Procurement Officer will be approached to investigate adding suppliers to the Council's "preferred supplier" list.</p>	<p>Green</p>	
RESIDUAL RISK					

C U R R E N T R I S K	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>RESIDUAL RISK</p>	<p>4.2 Access Controls</p> <p>4.2.1 Compliance with ICT Security Policy</p> <p>The agreed action from the previous report should be complied with.</p> <p>4.2.2 Leavers</p> <p>Tighter control should be exercised over staff leavers to ensure that email addresses are removed as soon as possible.</p> <p>The anomalies highlighted above should be investigated and remedial action taken as appropriate.</p> <p>Yellow</p>	<p>C J Powell (December 2008)</p> <p>C J Powell (March 2009)</p> <p>C J Powell (March 2009)</p>	<p>Improved Leavers procedures will be discussed with HR.</p>	<p>4.2.1 Obtaining and maintaining appropriate security conditions is an ever-changing battle. In an effort to achieve some sort of commonality amongst councils the government has set the CESH (the government information security organisation linked to GSHQ) to develop a Code of Compliance (known as CoCo). These 90 wide-ranging security controls now have to be met in order for the Council to be allowed to use the secure connection to the secure government intranet, the GSx, which is currently providing access to DWP systems.</p> <p>We had made sufficient progress in achieving these 90 controls that the Council gained CoCo in March 2009. We are still working to complete the committed actions.</p> <p>We will have to go through this check every year from now on with the standards and the controls changing every time.</p> <p>4.2.2 Leavers The leavers process relies initially upon the relevant manager informing ICT that staff are leaving and, as a back-stop, a leavers report run from the HR system when their payroll finishes. Once logged onto the ICT Helpdesk there is a set action list, including sending an email to the manager of the leaver asking them if there is anything they need to do with the leaver's email messages or settings before the account is closed. Sometimes they request that it is left open for a</p>	<p>Green</p>

Yellow				<p>time while contacts are dealt with.</p> <p>The process is being reviewed to see if these few exceptions can be managed more robustly rather than relying upon the business manager to inform ICT when the work has finished.</p> <p>Target date march 2010</p>	Green
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CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.2 Access Controls</p> <p>4.2.3 Active Directory User List</p> <p>The anomalies highlighted should be investigated and appropriate remedial action taken.</p> <p>Periodic reconciliation exercises should be performed.</p> <p>4.2.4 Penetration Testing</p> <p>Confirmation should be received that these issues are being addressed</p> <p>Yellow</p>	<p>C J Powell (March 2009)</p> <p>C J Powell (March 2009)</p> <p>C J Powell (March 2009)</p>	<p>Still an active project</p>	<p>4.2.3 User list</p> <p>The work to complete the Microsoft migration is progressing but the initial user reconciliation of the new AD environment has been completed.</p> <p>The update process is being automated in September.</p> <p>A further reconciliation exercise is intended for Feb 2010 once all the servers have been migrated.</p> <p>4.2.4 Pen Testing</p> <p>A major requirement of CoCo, the Council now has in place a contract for a security company to carry out quarterly penetration testing of all of our public internet addresses.</p> <p>Also, a new internal security monitoring system runs monthly to check the risk status of the internal servers and PCs.</p> <p>Actions plans from these tests are now run by the Design and Compliance Team.</p>	<p>Green</p>	
	R E S I D U A L R I S K				

Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K				
<p>4.2 Access Controls</p> <p>4.2.5 Privileged Accounts</p> <p>The problems highlighted should be investigated and remedial action taken as appropriate.</p> <p>System logs relating to the activity of domain administrator accounts assigned to external suppliers will be checked daily and activities analysed</p> <p>4.2.6 Software Updating and Patching</p> <p>A uniform approach to patching of system software should exist and the user's ability to change any system setting which would affect this should be disabled.</p> <p>Use should be made of Security Analysis software to check servers and PC's for incorrect levels of system software patching and any open 'shares' which may have come into being.</p> <p>Yellow</p>	<p>C J Powell End March 2009</p> <p>C J Powell End March 2009</p> <p>C J Powell End March 2009</p>	<p>Security related issues will be addressed as part of the end-project security review and CoCo compliance</p> <p>Security related issues will be addressed as part of the end-project security review and CoCo compliance</p>	<p>4.2.5 A review of all users accounts has been carried out as part of the Microsoft migration. Server accounts will be examined as each application and machine is migrated.</p> <p>System logs are proving too unwieldy to determine information and so a small control system is being sought to translate the logs into "English". This is in test and looking for a go-live by March 2010.</p> <p>4.2.6 The Microsoft migration has included the design of a "lock-down" desktop that prevents users from altering most of the critical settings.</p> <p>Patching policies and systems have been produced and all PCs are subject to this. Server policy has been introduced and the final changes will be made once the last server is migrated into the new Microsoft domain, around Dec 2009.</p>	<p>Green</p>
R E S I D U A L R I S K				

Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K				
<p>4.2 Access Controls</p> <p>4.2.7 Network Security Weaknesses</p> <p>Where possible the ability of the 'Everyone' Group to have access to information should be disabled.</p> <p>Sensitive data on the servers should be restricted to groups of users who have the need to access the data as part of their job function.</p> <p>4.2.8 Windows XP Security Weaknesses</p> <p>The above weaknesses in PC setup should be rectified by use of Access Control Lists and other measures to prevent non-administrative users having access to Windows XP features which are not job related</p> <p style="text-align: right;">Red</p>	<p>C J Powell End March 2009</p> <p>C J Powell End March 2009</p> <p>C J Powell End March 2009</p>	<p>Security related issues will be addressed as part of the end-project security review and CoCo compliance</p> <p>Security related issues will be addressed as part of the end-project security review and CoCo compliance</p>	<p>4.2.7</p> <p>The "everyone" group was a problem that appeared on initial migration and was quickly resolved in most areas. User access to systems and access to was reviewed and risks identified. Of the 91 shares identified one significant issue remains and that is with the AMS system. This is being dealt with in three ways:</p> <ul style="list-style-type: none"> - Reducing the number of users from over 100 to around 12 through implementation of a replacement credit card payment system - Continued pressure on the supplier to amend their product - Working carefully through the software on a trial and error basis to determine what minimum access rights will work <p>The data access policy is one of "least privilege" as required by CoCo and this is set up a part of normal business.</p>	Green
R E S I D U A L R I S K				

Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.3 Operational Controls</p> <p>4.3.1 Laptop PCs</p> <p>A formal project plan should be created to encrypt the hard disks and a budget allocated.</p> <p>4.3.2 Disaster Recovery</p> <p>A more viable contingency plan should be created, including testing arrangements, with a formal Project Plan being raised, submitted for approval and thereafter reported to the Programme Board especially in view of the new technical environment which now exists</p>	<p>C J Powell End March 2009</p> <p>C J Powell (March 2009)</p>	<p>Security related issues will be addressed as part of the end-project security review and CoCo compliance</p>	<p>4.3.1 CoCo actions already identify the need to encrypt laptops and all mobile media. A budget had already been set aside for this and the action assigned. Tests of products are still ongoing as encryption is causing speed issues. All laptop will be encrypted by March 2010.</p> <p>4.3.2 CoCo expects a yearly test of DR plans. Our current plan is viable but a redesign is needed to accommodate new back-up methods and new servers. A test is planned for before March 2010.</p>	<p>Green</p>

C U R R E N T R I S K

R E S I D U A L R I S K

Red

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.3 Operational Controls</p> <p>4.3.3 Incident and Problem Management</p> <p>A more formal process for problem management should be introduced and visible reporting of downtime and problems should be made available to the wider user community with the Intranet being a possible vehicle.</p> <p>Heads of Service should be reminded that all support calls to external suppliers should be routed through the Helpdesk.</p> <p>Internal Audit will investigate problem management in more depth during the next review.</p> <p>4.3.4 ICT Asset Disposal</p> <p>The Asset Disposal Policy (currently being written by Internal Audit) should be revised to address the need for additional measures in respect of ICT equipment.</p> <p>Yellow</p>	<p>4.3 Operational Controls</p>				
	<p>C J Powell (July 2009)</p> <p>C J Powell (January 2009)</p> <p>Internal Audit (March 2009)</p>	<p>Will be included in the Intranet redesign.</p> <p>Draft Disposal Policy, Strategy and appendices has been completed and is being consulted on by HoS and SMT.</p>	<p>The IMPACT process that has been running for two years and analyses the root cause of problems and looks for solutions.</p> <p>The information produced by the analysis will be made transparent once the new intranet is launched by Feb 2010.</p> <p>4.3.4 ICT have been running an asset disposal process for two years and this process appears to be working.</p>	<p>Green</p>	

RESIDUAL RISK

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>C U R R E N T R I S K</p>	<p>4.3 Operational Controls</p> <p>4.3.5 Service Delivery</p> <p>Formal meetings between representatives of ICT and key users should be reintroduced when workloads permit with initial contact being by email.</p> <p>4.3.6 Service Level Agreement</p> <p>The SLA should be endorsed and published</p>	<p>C J Powell (March 2009)</p> <p>C J Powell (July 2009)</p>	<p>Will be included in the Intranet redesign</p>	<p>4.3.5</p> <p>To improve the contact between ICT and its customer base members of the ICT Support and Operations team have been assigned areas that they are to "represent" within ICT.</p> <p>ICT have been running ICT Customer Forums for about 2 years where representatives from customer areas and ICT discuss issues around corporate systems and services</p> <p>The ICT Support and Operations manager post has been responsible for the other formal meetings with "key" managers. This post is vacant at the moment but the HoS will be trying to see as many of the key managers as possible over the year. The systems thinking process has also started within ICT which requires a customer analysis.</p>	<p>Green</p>
	<p>Yellow</p>				<p>R E S I D U A L R I S K</p>

CURRENT RISK	Actions agreed by Corporate Director and Head of ICT	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
<p>4.4 Systems Development</p> <p>4.4.1 Monitoring of Projects</p> <p>The integrity of the spreadsheet used to create the Programme Board report should be investigated.</p> <p>Yellow</p>	<p>C J Powell (December 2008)</p>	<p>A bug in the spreadsheet has been corrected.</p>	<p>4.4.1</p> <p>The programme board report will continue to evolve as different information is required by the directors and other users of the report.</p>	<p>Green</p>	
RESIDUAL RISK					

Agenda Item 12

Audit and Governance Committee

3rd December 2009

TC



Internal Audit activity report for the period 1st October 2009 to 31st December 2009, to include:

- **Audit Plan Monitoring to 31st December 2009**
- **Audit Report Executive Summaries**

The attached Activity Report gives brief details on the staffing situation within the Council's Audit and Governance section and highlights Internal Audit activity for the third quarter, indicating where audits are progressing well and identifies those that have slipped against the internal audit plan. Members will note the progress made and also be informed of the audits that remain outstanding.

Recommendations

Members are asked to note and keep under review the:

- **Audit Plan Monitoring Document**
- **Audit Performance Indicators**
- **Internal Audit Reports - Executive Summaries**
- **The requirement for a follow-up report on Car Parks pending enquiries by Internal Audit)**

a) Reasons for Recommendation

To ensure that progress is made on the plans of Internal Audit in line with Member expectations.

b) Alternative Options

None

c) Risk Considerations

Local authorities are required to "make arrangements for the proper administration of their financial affairs" and/or "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with proper internal audit practices".

The Operational (Service) Risks are:

AUD-RK-0027 – The provision of an efficient and effective audit and governance service

AUD-RK-0081 – Fraud, Theft and/or irregularity of financial resources

AUD-RK-0082 – Fraud, Theft and/or irregularity of physical assets

d) Policy and Budgetary Considerations

None

e) Date for Review of Decision

N/a

Main Body of the Report

Audit Staffing

The Service has managed to retain an external contractor (audit consultant) who is assisting in the training and supervision of the Trainee Auditor. The part-time Principal Auditor is on maternity leave and no date has yet been given for her return. A tendering exercise to complete part of the internal audit work plans has been completed, the results of which appear in a separate report attached to this Agenda.

Audit Activity

- **Appendix 1 – Audit Plan Monitoring Document**

This schedule provides a summary of activity for the period and assists Members in following the progress of audits.

Interpretation:

First Quarter – April to June 2009

The first quarter consists of a variety of shorter and mid-length audits the largest of which was the National Indicator work which covers a specialist area and this is reported separately in this meeting.

All work has been completed for this quarter.

Second Quarter – July to September 2009

The second quarter consists of a mix of more complex audits, such as Procurement and Contract Audit. One audit remains outstanding (although at draft report stage).

Third Quarter – October to December 2009

The third quarter consists of a mix of larger audits of a financial and regulatory nature, such as Revenues and Income and Cashiers. The team is making progress on completing this quarters' work. Over half this quarters' audits have been started and are at differing stages of completion.

Unplanned and Ad-hoc Audit Work

There has been no unplanned or ad-hoc work other than the usual provision of advice to Heads of Service, Managers or staff.

Audit Performance Indicators

- **Percentage of planned audits commenced (three quarters) – 85%**
- **Percentage of planned audits completed (three quarters) – 60%**
- **Feedback responses at least 'satisfactory'**

Audits completed and Feedback requested	Feedback Reports Returned	Feedback Reports Marked 'Satisfactory'	Feedback Reports Marked 'Unsatisfactory'
First Quarter			
5	5	5	0
Second Quarter			
7	4	4	0
Third Quarter			
0			
Fourth Quarter			
0			

- **Recommendations 'accepted' versus 'recommendations made'**

Total Recommendations made in 1 st Quarter	55	Total Recommendations accepted in 1 st Quarter	55
Total Recommendations made in 2 nd Quarter	35	Total Recommendations accepted in 2 nd Quarter	35
Total Recommendations made in 3 rd Quarter	N/A	Total Recommendations accepted in 3 rd Quarter	N/A

- **Percentage of audits completed within the planned time**
12 audits completed – 1 over-ran one day (92%)

Internal Audit Report Executive Summaries – for discussion

- Housing Management
- Housing Needs
- Car Parks
- Safeguarding Children

Conclusion

The role of Internal Audit continues to change and expand according to demand; changing legislation and the requirements of our external review agencies. This report covers the period 1st October 2009 to 31st December 2009. A report covering the period 1st January 2010 to 31st March 2010 will be presented at the next meeting of the Audit and Governance Committee scheduled for 18th March 2010.

Legal Implications

No legal observations

Financial Implications

No financial observations

Consultation on Reports to the Executive

None

Background Papers

- Specified appendices

APPENDIX 1

INTERNAL AUDIT PLAN MONITORING TO 30th SEPTEMBER 2009

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

Detailed below is a summary of the work completed so far in 2009/10, showing the 'Areas for Improvement' found during the audit, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned v actual)	Report Reference	Areas for Improvement			Assurance Level	Actions		Client Rating	
							High	Medium	Low		Total	Total Agreed	Satisfied	Not Satisfied
Quarter 1 - April - June	Home Safeguard Contract Audit Element	April 2009	Aug 2009	Aug 2009	13 / 13	AUE 03	-	15	-	LA	15	15	✓	
	Housing Needs	July 2009	Sept 2009	Oct 2009	11 / 11	AUE 05	-	4	-	AA	4	4	✓	
	BVPs and NIs	April 2009	Sept 2009	Sept 2009	40 / 40		-	20	-	AA	20	20	✓	
	Street Scene - Contracts & Street Scene - Technical Services	June 2009	July 2009	Aug 2009	16 / 15	AUC	-	14	-	LA	14	14	✓	
	Section 106 Monies	June 2009	July 2009	July 2009	5 / 5	AUE 18	-	2	-	AA	2	2	✓	
					85 / 84									

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

Detailed below is a summary of the work completed so far in 2009/10, showing the 'Areas for Improvement' found during the audit, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned v actual)	Report Reference	Areas for Improvement			Assurance Level	Actions		Client Rating	
							High	Medium	Low		Total	Total Agreed	Sat'd	Not Satisfied
Procurement (inc. Print, Post & Stationery)	Complete	July 2009	Aug 2009	Aug 2009	15 / 16	AUA 10	-	5	1	LA	6	6		
Disposal and Purchase of Assets	Complete	July 2009	Aug 2009	Aug 2009	3 / 3	AUA 08	-	3	-	AA	3	3		
Contract Audit – Housing Partnership	Complete	July 2009	Oct 2009	Oct 2009	15 / 15	AUD	-	5	-	LA	5	5	✓	
Housing Client Services	Complete	July 2009	Aug 2009	Aug 2009	2 / 2	AUC	-	1	-	AA	1	1	✓	
Officers' and Members' Expenses *	Complete	July 2009	Aug 2009	Aug 2009	10 / 10	AUE 13	-	10	-	AA	10	10		
Car Parks	Complete	Sept 2009	Oct 2009	Nov 2009	12 / 12	SS	4	1	-	AA	5	5	✓	
Street Scene – Refuse and Recycling	Draft Report	Sept 2009	Nov 2009		8 / 8	SS								
Safeguarding Children **	Complete	Aug 2009	Oct 2009	Oct 2009	6 / 6	PJ	5	-	-	AA	5	5	✓	
Quarter 2 – July - September														
							65 / 66							

* At request of A & G Committee 25th June 2009 / swapped with Property Services ** at request of Corporate Director

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

Detailed below is a summary of the work completed so far in 2009/10, showing the 'Areas for Improvement' found during the audit, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned v actual)	Report Reference	Areas for Improvement			Actions		Client Rating	
							High	Medium	Low	Assurance Level	Total	Total Agreed	Sat'd
Quarter 3 - October - December	Income and Cashiers (including cash floats)	Dec 2009			10 /	AUA 10							
	Council Tax (including any cash float)	Nov 2009			10 /	AUA 06							
	Contract Audit Element: Debt recovery, Machine Maintenance, Revenue Collection				3 /								
	NNDR (including any cash float)	Oct 2009			10 /	AUA 07							
	Building Control	Oct 2009			8 /	AUE 19							
	Planning Administration	Dec 2009			8 /	AUE 20							
	Contract Audit element				1 /								
	Development Control	Dec 2009			8 /	AUE 18							
	Economic Development - Contract Audit Element	Dec 2009			2 /	AUC							
						60 /							

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned v actual)	Report Reference	Areas for Improvement			Assurance Level		Actions		Client Rating	
							High	Medium	Low	Total	Agreed	Total	Sat'd	Not Satisfied	
Quarter 4 - January - March	Housing Rents (including any cash floats)	Not Due			10 /	AUA 05									
	Customer Service Centre	Not Due			10 /	AUB 01									
	Creditors (Corporate Purchase Cards and Cash Floats)	Not Due			10 /	AUA 02									
	Debtors	Not Due			10 /	AUA 09									
	Bank Contract	Not Due			1 /	AUA 01									
						40 /									

- Legend**
- Completed task
 - Mild concerns or minor set backs
 - Serious problems or significant delays
 - Work in progress or task not yet due

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN (AUDITS COMPLETED BY EXTERNAL PROVIDER)

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned v/ actual)	Report Reference	Areas for Improvement			Assurance Level		Actions		Client Rating	
							High	Medium	Low	Total	Agreed	Total	Sat'd	Not Satisfied	
Main Accountancy	Not Due				10 /	AUA 01									
Treasury Management	Not Due				10 /	AUA 08									
Payroll	Not Due				10 /	AUA 03									
Housing Benefits	Not Due				10 /	AUA 04									
Housing Benefit Grant Claim	Not Due				5 /										
Housing Benefit Fraud Section	Not Due				5 /										
Computer Audit Plan	Not Due				40 /	AUD									

AUDIT INVESTIGATIONS FOR THE PERIOD

Detailed below is a summary of the audit investigations undertaken in 2008/09 showing the 'Areas for Improvement' found during the review, the number of suggested Actions and the audit Assurance Level allocated by the auditor.

Investigation	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned 'v' actual)	Report Reference	Areas for Improvement			Actions			Client Rating	
							High	Medium	Low	Assurance Level	Total	Total	Sat'd	Not Satisfied
Alleged Breach of Data Protection	Complete	Nov 2009	Nov 2009	Nov 2009	N/A	AUF	None - allegation not proven							

UNPLANNED AND AD-HOC AUDIT WORK - 2008/09

Detailed below is a summary of the unplanned and ad-hoc audit work undertaken in 2008/09, showing the number of suggested 'actions' (if appropriate) and the audit Assurance Level (if appropriate) allocated by the auditor.

2009/10	Details of Unplanned and/or ad-hoc work	Start Date	End Date	Assurance level given	Actions Remaining		Comment from Head of Service
					Total	Agreed	
	Members' Officers' Expenses	July 2009	August 2009	LA	10	6	completed by swapping out Street Scene - Property Services
	Safeguarding Children	August 2009	Ongoing				Requested by Corporate Director

Housing Management – EXECUTIVE SUMMARY

Introduction

An audit of the Council's Housing Contracts was undertaken in 2009 together with a review of the Housing Management system used to control Housing Contracts.

Contract Extensions

The contracts with the 2 companies responsible for providing the Housing Maintenance service to Council properties was extended on the 1st April 2006 but no evidence is available within Housing Management records to verify that the extension had been subject to a properly completed and certified Exemption to Standing Orders.

Contractor Invoices

We reviewed the invoices relating to the Central Heating Upgrade 2009 and found that the Practical Completion Invoice included a claim for a property where no work had been done and the variation orders amount was understated. On this occasion there was no detriment to the Council however inadequate checking of invoice accuracy introduces the risk of the Council making inappropriate payments.

Use of Constructionline

Two different Constructionline lists were provided to Housing Management for two similar building works schemes, one in January 2009 and the other in March 2009.

The scheme for which the Constructionline list was provided in January did not progress and the list was used to select a contractor to perform the work scheduled for March. The Constructionline list provided in March was not used.

This introduces the risk of the Council employing a contractor who has been removed from the Constructionline list.

On another occasion, a Constructionline list was provided to Housing Management for the Exterior Redecoration 2009 programme.

13 contractors were invited to submit tender bids for 17 contracts. 7 of these contractors, although registered with Constructionline, were not included on the Constructionline list provided by Internal Audit introducing the risk of the Council being accused of inviting favoured contractors to submit tender bids for the work.

Obtaining Quotes

A sample of 12 non-responsive maintenance jobs were reviewed to ascertain whether Contract Standing Orders were adhered to prior to the work being allocated. Two of these were for values of over £3,000 and the other ten were for values of under £3,000. Contract Standing Orders requires that three written quotations are obtained for work over £3,000 value and one written quote is received for work under £3,000 value.

Five of the jobs reviewed were completed as part of a contractual agreement, evidence of a written quotation was provided for one of the other jobs but written quotations were not available for the other six jobs.

Contract Standing Orders have been breached in these six instances and the Council would be unable to defend itself if challenged by an external body as to why or how these contractors had been selected.

Conclusion

In our opinion and after careful consideration Internal Audit can offer a neutral opinion and can confirm that the level of assurance that can be given is LA – Limited Assurance.

AUDIT OF HOUSING NEEDS – EXECUTIVE SUMMARY

Introduction

The Housing Needs audit took place during the period August to September 2009 and was conducted by means of discussion with relevant staff, review of documentation and the Anite Housing Management system. The audit focussed on management and operational controls to provide assurance that the work processes and systems operating within Housing Needs are efficient and effective.

We found that one applicant living in a Council property, made an application using the form intended for the use of applicants not currently housed by the Council (or partner Registered Social Landlord) instead of a Transfer Waiting List form. Another applicant, who had previously been, but who was no longer on the Housing Register, submitted a Change of Circumstances form instead of a Housing Application Form.

Banding criteria varies dependant on an applicant's current circumstances and the acceptance of the wrong form could result in an inappropriate allocation being made.

There were two instances where hard copy documentation could not be found. This introduces the risk of ineligible applicants being included on the Housing Register or eligible applicants being inappropriately banded.

A random sample of 20 applications for inclusion on the Housing Register were reviewed to ascertain whether the "banding" group that the applicant had been allocated was reasonable. We found an instance where the applicant had quoted a police incident number but there was no evidence on file to support the incident being authentic. It was considered by Internal Audit that the gold banding allocation was generous.

We reviewed a random sample of 15 allocations made during the previous 12 months and found that two Void Monitoring Sheets had not been signed by the officer making the allocation, and one sheet did not include the reason for the allocation being made to the chosen applicant. This could mean the Council is unable to defend itself if criticised for the decision, or would not be able to offer a satisfactory explanation if challenged on the validity of the allocations.

Conclusion

This review has highlighted a few failings in some areas, but we are confident that the Housing Needs Manager will work with his team to ensure these issues are dealt with. In our opinion, after careful consideration we are able to provide a 'positive opinion' which is translated into 'adequate' assurance.

Tanith Cox
Internal Audit & Governance
September 2009

CAR PARKS – EXECUTIVE SUMMARY –

Introduction

An internal audit review was undertaken in 2009 of the council operated car parks within East Devon

Timesheets for Civil Enforcement Officers (CEO)

A review of a sample of 15 timesheets revealed that in one case there was an incomplete audit trail with a risk that the CEO ended his shift before the time stated on this timesheet.

Machine Revenue

Revenue obtained from the various auto slot pay and display machines is collected by Contract Security Services Limited. The security company count the money and then deposit the total in the council's bank account.

During a reconciliation of this system it was noted that the amounts banked by the contractors differed to the amounts collected. After enquiry we ascertained that this was because of the large amounts of counterfeit coins in circulation. The following weaknesses came to light:

- No evidence is available to the Council to verify that the coins collected by the contractor were actually counterfeit.
- No evidence is available to support the amount of coins that were sent to the Royal Mint for destruction.

There is a risk that the contractors could be underbanking and retaining the excess cash. With no evidence of the coinage being sent for destruction the Council has no way of verifying this.

Re-imburements received

The Council's Car Parking service has identified that we have received three re-imburements from the contractors in respect of counterfeit £1 coins totalling £1,741 (all during 2009), this leaves a total amount of underbanking of £6,064.

We further understand that Royal Mint does not provide receipts, they simply send back to the counting houses any valid coins, and consequently the Council has to accept that the contractor is re-imbursing all monies due to us.

Internal Audit recommended firstly, that the contractor is invited to the Council to discuss these issues and secondly, that the Council's insurers may be able to recompense the Council for the lost income. After discussion with our insurers however, it was found that the Council is not covered for this loss.

Conclusion

In our opinion and after careful consideration our overall conclusion would be that a 'positive opinion' is appropriate and we further offer 'adequate assurance' overall. A further report will be produced for the Audit & Governance Committee detailing the outcome of our further investigations.

SAFEGUARDING CHILDREN – EXECUTIVE SUMMARY –

Introduction

An audit of the Council's Safeguarding Children arrangements was undertaken in September/October 2009. This review was requested by the Corporate Director and was added to the planned work for the year 2009/10.

Survey Results

Full results of our survey are appended to this Report (App 1C).

Overall, there was a very good response rate to our questionnaire with 54 survey sheets returned (84%). Of those Council members and staff who returned their forms 35 confirmed that they talk with families and/or children in their homes or at Council offices (65%) and 19 said they did not (35%).

Of those 35 Council members and members of staff who confirmed that they talk with families and/or children in their homes or at Council offices 25 were aware of the Safeguarding Children Policy (71%), 19 had been given a copy or had seen it on the Intranet (54%) and 17 had read it and confirmed their understanding of it (49%).

The survey also asked whether if, in the course of their duties, Council members and members of staff had witnessed a circumstance involving a child that might have needed to be reported. Eight recipients confirmed this to be the case, with 6 of them in the current year (2009/10). We can confirm that 3 were passed to the Head of Housing & Social Inclusion as per the requirements of the Policy. The remaining 3 were dealt with in another way, and in our opinion this was satisfactory.

Actions

The Corporate Director will:

- Email the key staff teams who have shown a lack of awareness of the Policy
- Ensure the 'Safeguarding Children' DVD produced by DCC is shown to staff members attending the 'News & Views' briefings
- Ensure the survey results are reproduced within the Council's 'Team Brief' to highlight the issue again
- Ensure the Democratic Services Manager (DV) updates the Members' webpage with the Policy (and PJ to bring it to their attention)
- Update the Corporate Risk Register specifying the existence of the Safeguarding Children Policy and the Council's adherence to it. (See Corporate Risk Register, bottom of page 2)

Conclusion

In our opinion and after careful consideration our overall conclusion would be that a 'positive opinion' is appropriate and we further offer 'adequate assurance' overall.

Agenda Item 13

Audit and Governance Committee

3rd December 2009

TC



Corporate Governance activity report for the period 1st October 2009 to 31st December 2009, including:

- **Corporate Risk Management – CRMG Chairman’s Progress Report**
- **Corporate Governance Work Plan, incorporating the progress on NFI and other Counter Fraud Initiatives, and**
- **Annual Governance Statement Action Plan (Progress Reports from Heads of Service and Directors)**

Summary

The report and appendices outline the work undertaken to ensure the council’s corporate governance arrangements are effective and in compliance with its local Code of Corporate Governance.

Recommendations

Members are asked to note:

- **The Progress Report from the Chair of the Corporate Risk Management Group**
- **The Minutes of the last Corporate Risk Management Group dated 13th October 2009**
- **The Corporate Governance Work Plan for 2008/09**

Members are asked to monitor and keep under review the:

- **Counter Fraud Initiatives including the NFI exercise**
- **Annual Governance Statement - Action Plan**

a) Reasons for Recommendation

In order that the status and role of Corporate Governance can be confirmed at Member level and to ensure that progress is being made on the Governance plans in line with Member expectations.

b) Alternative Options

None

c) Risk Considerations

- **Failure to comply with our own Local Code of Corporate Governance**
- **Failure to comply with the Corporate Governance ‘Key Lines of Enquiry’**
- **Failure to maintain our Use of Resources score**
- **Failure to maintain our current CAA rating**
- **Failure to progress the actions within the Annual Governance Statement**
- **Criticism from External Audit and other external review agencies**

d) Policy and Budgetary Considerations

There are no budgetary considerations

e) Date for Review of Decision

N/a

Main Body of the Report

Introduction

This report shows the activity for the period October to December 2009.

Corporate Risk Management – CRMG Chairman’s Progress Report

The Corporate Risk Management Group (CRMG) has been charged with the task of bringing into use a revised Corporate Risk Register (CRR). The CRMG is a member/officer group chaired by an elected councillor and includes the Corporate Director and the Corporate Risk Manager.

The Corporate Risk Management Policy, Strategy and Toolkit have all been updated and the CRMG has commissioned a new CRR (SPAR.net) which is now fully operational.

Population of the CRR is now virtually complete, where appropriate ‘strategic’ (corporate risks) have been linked in SPAR.net to the ‘operational’ (service risks) and review dates have been set up with an email reminder to the various responsible officers. The population and compilation of the CRR has been monitored by the Council’s Risk Manager who has made regular reports on progress to the CRMG.

The design of the SPAR.net system enables easy access to areas for review of information and the clarity of the screens help to ensure that both officers and members are able to enter and browse the CRR without difficulty.

There has however, been an issue with regards Member access to SPAR.net in that although the system is available in the Members’ area of the Knowle offices, it is not available on Members’ computers in their homes. The Chair of CRMG requested that this issue be resolved and ITS are actively working on a solution that will overcome the problem.

At the last CRMG meeting members discussed the possible future role of the Group, the Audit & Governance Committee and the Scrutiny Committees in the risk review process.

There was general agreement that the Scrutiny Committee could incorporate a review of risks and controls into their overall review of Council functions and/or services. However, the CRMG would continue to review and challenge the risks and controls within the corporate risk register. The chairman is aware that it will take some months for all members to become confident in using the information included in the Risk Register and some form of training/familiarization may be necessary.

The Chairman is however, pleased with progress and is confident that the Council will have a fully operational CRR in use by the end of the year.

The Minutes of the meeting of the Corporate Risk Management Group dated 13th October 2009 are attached to this Agenda.

Corporate Governance Work Plan 2009/10 – Appendix 1

Please refer to the appendix, a brief summary of the work completed so far this year is detailed below:

NFI Exercise 2009/10

This exercise is co-ordinated by the Internal Audit & Governance Manager who ensures login and password details are allocated to responsible officers, monitors completion of the work and ensures the on-line database is adequately completed with all relevant details.

We have reported previously that the NFI (creditors reports) highlighted a couple of anomalies (a duplicate payment and a sundry debtor overpayment). These have been dealt with satisfactorily.

The exercise is virtually complete in Housing Benefits, with a target for completion before the Christmas break. Arrangements are being made to complete the online NFI database with case outcomes. A schedule of action taken and savings made as a direct result of participating in the NFI exercise will be presented to the next Audit & Governance Committee in March 2009.

Other Counter Fraud Initiatives

Our external auditors have given the Council's Internal Audit & Governance arrangements a low score in its UoR assessment. Part of the reason for this is that there has been limited pro-active counter-fraud work carried out by the Council (apart from the NFI work detailed above and the counter-fraud work carried out by our Housing Benefit Investigation Team). This situation has developed over time, mainly because of the long-term shortage of audit staff available to carry out the council's audit plans.

Giving assurance on the Council's counter/anti-fraud arrangements falls within the remit of Audit & Governance. There are various tools available for the Council to assess its current counter fraud arrangements and to identify any gaps. Preliminary work has already started on this and we will present a report to Committee on the results in due course.

Annual Governance Statement – Action Plan, Progress Report

The Internal Audit & Governance Manager is pleased to report comments from Head of Service and Directors for each item in the Action Plan.

Legal Implications

None

Financial Implications

None

Consultation on Reports to the Executive

N/A

Background Papers

Corporate Governance Work Plan
Annual Governance Statement - Action Plan
CRMG Minutes

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
3rd December 2009

EAST DEVON DISTRICT COUNCIL

Notes of a Meeting of the Corporate Risk Management Group held at Knowle, Sidmouth on 13th October 2009

Present:	Councillors: Peter Bowden (Chairman) Ray Bloxham Ken Potter
Officers Present:	Tanith Cox – Internal Audit and Governance Manager Diccon Pearse – Corporate Director
Apologies:	None

The meeting started at 3.00 pm and ended at 5.15 am

1 **Minutes of Previous Meeting**

The minutes of the meeting of the Corporate Risk Management Group held on 2nd September 2009 were confirmed as a true record.

2 **Progress Report - Strategic Risks / Service Risks – State of Play**

The CRMG discussed the progress of updating the corporate risk register and noted that it was now very nearly completed, with only one corporate director and a few heads/managers left to complete their input of risks. The Chairman confirmed that he was pleased with this progress and that the system is seen by the CRMG as a valuable tool to help manage the Council's business.

The Internal Audit and Governance Manager made reference to the updating process and to a supporting document (screen print of drop-down menus) and explained that most users had selected the "working and effective" status for their actions, when in reality a more appropriate status could have been "in progress" or "completed". She drew attention to the 'quirkiness' of the system and explained that the "working and effective" control status is set as the default by the system, and this had simply been selected in the majority of cases by users. She also drew attention to the relatively few controls appearing to mitigate the council's most significant risks.

Discussion ensued around the best way to review this in the future and how to encourage the proper use of the corporate risk register.

3 **Strategic Risks in detail**

The CRMG were provided with all the current strategic risks that had been input into the system by directors. There was a great deal of discussion surrounding the risk and control content and how and when they would be reviewed. Discussions ranged around the possible future roles of the CRMG, Audit & Governance Committee and the Scrutiny Committees in the review process. There was agreement that the Scrutiny Committee could incorporate a review of risks and controls into their overall review of Council functions and/or services.

Another possibility for review was thought to rest with the Audit & Governance Committee, however it was suggested that closed sub-meetings such as the CRMG were the best forum for discussing service risks with heads of service/managers.

There were also discussions around the CRMG's Terms of Reference and it was confirmed that there was an expectation that part of the role of CRMG was to review and challenge the risks and controls within the corporate risk register.

3 Strategic Risks in detail (cont')

RESOLVED: That the CRMG accept the updated system as a management tool which should be used by the Council to manage its day to day risks, this resolution will be passed to the A &G Committtee for recommendation to full Council.

4 Training meeting for A & G Members and other key members from Scrutiny

The Chairman was keen to ensure that the final version of the updated corporate risk register was accessible and familiar to members of the Audit & Governance Committee and to other key members from the Scrutiny Committee. Cllr Bloxham raised the issue of accessibility to the corporate risk register by Members and said that this had not been resolved by the ICT section. The Corporate Director was asked to ensure this problem was resolved.

RESOLVED: That a familiarisation session would be arranged for key Members to access and understand the different aspects of the corporate risk register once it had been fully populated. This date was likely to be 1st December, but this would depend upon the availability of the training room.

5 AOB

The Corporate Director raised the possibility of extending the group to include other officers, it was agreed that this would evolve over time. The Corporate Director reminded the group that our insurers would provide a set number of days free of charge to undertake some risk work if required.

6 Date next meeting

RESOLVED: that the next meeting of the Corporate Risk Management Group be held on Tuesday 1st December 2009 at 2.00 pm in the Training Room (date and time to be confirmed).

CORPORATE GOVERNANCE WORK PLAN 2009/10

Month	Update Audit and Governance Policies, Strategies, Procedures, Codes of Practice, Explanatory Leaflets etc	Partnership Mapping and partnership corporate governance arrangements (but see note on reverse) ⁴	Annual Governance Statement 2008/09 ⁵	Key Lines of Enquiry 2008/09	Corporate Risk Management	Data Quality Initiatives – BVPI and NI checking ⁸	Ongoing Management of staff resources, workloads and plans of the Internal Audit Section ¹⁰
2009							
April		NFI ³					
May							
June	A & G & CRMG Committee Reports ¹			Use of Resources KLoEs and Corporate Governance KLoEs ⁶	System Procurement and implementation, data transfer and cleansing		
July	Ongoing throughout the year. ²				CRM System Administration and System Review.		
August			Review of AGS Action Plan and prepare for A & G Committee			Audit & Governance Training for council staff and members ⁹	
September	A & G & CRMG Committee Reports ¹						
October							
November	A & G & CRMG Committee Reports ¹						
December							
2010			Annual Governance Statement 2009/10 ⁵				
January	A & G Committee Reports ¹						
February	A & G & CRMG Committee Reports ¹						
March							

Completed On going delayed

Notes to the Corporate Governance Plan

- ¹ Audit & Governance Committee – this Committee meets 5 times, it is supplemented by an Audit & Governance Committee Agenda, which prompts for different reports from the various officers (both internal and external) who report to it. The Committee requires regular updates on progress of internal audit and corporate governance work together with action plans relating to the Annual Governance Statement, Key Audit Findings and Risks and Computer Audit Monitoring. The Corporate Risk Management Group meets quarterly and is supplemented by a Committee Agenda which prompts for different reports relating to CRM.
- ² Policies, procedures and Codes – the IA and Governance section take responsibility for many financial and ethical policies and codes, these need to be reviewed on an annual basis and updated where applicable. Policies include the Code of Corporate Governance, Anti-Fraud, Theft and Corruption Policy, Disposal Policy, Guide to Corporate Risk Management, Guide to Internal Audit and the Audit Charter.
- ³ NFI – National Fraud Initiative, the Audit & Governance Manager is the key contact and co-ordinating officer and deals with incoming and outgoing queries, investigates cases of potential fraud relating to council staff, co-ordinates investigations by other sections and/or directorates and ensures the Audit Commission's database is updated by nationally agreed deadlines.
- ⁴ Partnership Mapping – The council's partnerships are required to be mapped and assessed to establish whether or not they include adequate corporate governance arrangements, a risk assessment is also undertaken and an action plan detailing recommendations is produced. This work is essential criteria under our Use of Resources assessments. Until the resource issue within the section is resolved it is not possible to be clear about target or completion dates.
- ⁵ Annual Governance Statement - Accompanies the council's financial statements and is signed off by the Chief Executive and the Leader of the Council, reviewed by the External Auditors and complements the council's corporate governance arrangements. The Audit and Governance Committee keep the Governance Statement Action Plan under review.
- ⁶ Key Lines of Enquiry 2008/09 - this includes the 'harder test' KLoEs under Use of Resources and the KLoEs relating to Corporate Governance. Both sets of KLoEs are required to be completed for the Annual Governance Statement (item 5 above). Key Lines of Enquiry are reviewed by the External Auditors and support the council's rating under CAA.
- ⁷ Corporate Risk Management is to be re-launched within the council with the procurement and implementation of a new Corporate Risk Management System and a new work process whereby Heads of Service are responsible for updating the Corporate Risk Register. The Audit & Governance Manager is the council's key contact for Corporate Risk Management and works with members and staff to ensure the council's risks are identified and mitigated as far as possible. The Audit & Governance Manager will remain the systems administrator for the Risk Register.
- ⁸ Co-ordinate the review of the council's National Indicators and prepare supplementary reports to council staff and members.
- ⁹ Audit & Governance Training
- ¹⁰ Ongoing Management of the Internal Audit Section – management of staff, systems, workloads, plans, procedures etc pertaining to the internal audit service.

ANNUAL GOVERNANCE STATEMENT – ACTION PLAN

For the year 1st April 2008 to 31st March 2009

Governance and Control Issues Identified

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

Area for Improvement	Suggested Action	Officer Resp.
<p>Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.</p>	<p>The Head of ICT has supplied an up-to-date position statement (as at 24/8/09)</p> <p>The DR process is still tenable for all the identified core systems. The tape recovery process has been used a number of times in the last 6 months to recover files that have been inadvertently erased and also to build a new Exchange server for email.</p> <p>With the increasing amount of data stored by the Council the back-up "window" had extended into live operation times and remedial action was taken to alter the back-up methods to compensate.</p> <p>Work began in July to completely redesign the DR and back-up systems to make everything faster, easier to use, and more reliable. This involves using the new links to Honiton Business Centre for data transfer and setting up equipment that more closely replicates the systems at the Knowle.</p> <p>This is now in process aiming for a test no later than March 2010.</p>	<p>CP</p>
<p>The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk. The corporate risk register has not been formally updated and reported to the Audit & Governance Committee since March 2008.</p>	<p>Good progress has been made in populating the new corporate risk register, the council's CRM Policy, Strategy and Toolkit have all been updated and the Council has offered refresher training to both Council staff and Council Members. The Corporate Risk Management Group is keeping the exercise focused and on track.</p>	<p>DP</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the council</p>	<p>The Council has conducted a 2-stage tendering exercise to select a contractor to undertake part of the internal audit work plan. Seventeen potential candidates responded to the initial advertisement, 12 potential candidates responded with Expressions of Interest and 9 were invited to submit a tender. The Tenders were evaluated in November by a small sub-group set up by the Audit & Governance Committee and two successful tenderers have been selected.</p>	<p>DP</p>
<p>There is a need to review Health and Safety compliance throughout Street Scene services.</p>	<p>The review of Health and Safety compliance has commenced and has been included in the service objectives and in PER's for this year.</p> <p>These duties were part of the Performance Officer post (now deleted) and existing staff have been tasked to find the capacity to move this forward at the expense of other works.</p> <p>Currently a Health and Safety procedures document is being produced. Once the various legislative requirements have been updated the associated procedures will be implemented and current documentation updated. This work will be built into the ongoing work-load of the department and will be on-going.</p>	<p>MR</p>
<p>Failure to develop Flood Alleviation and Coast Protection Strategy</p> <p>The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.</p>	<p>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</p> <p>This has serious work capacity issues in the delivery of Engineering services in particularly those associated with Land Drainage, Flood Alleviation and Coastal Defence works. Failure to fill this post will mean the work will need to be prioritised with some work areas not being carried out.</p> <p>The Head of Street Scene was asked for an update – his response was that the situation has not changed.</p>	<p>KH</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	<p>KH/DB Update awaited</p>
<p>A programme of data quality checking was carried out by Internal audit during 2009 which found most NIs were either incorrect or needed remedial action. The NIs requiring internal audit recommendations were NI 156 – Housing NI 182 – Environmental Health / Licensing NI 185a/b CO² Emissions NI 194a/b Air Quality NI 196 – Street Scene</p>	<p>The Audit & Governance Committee on 29th September 2009 resolved to support the recommendations made to Heads of Service in a recently published Internal audit report to improve the quality of data in published performance indicators.</p>	<p>SMT</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>An audit in 2007/08 highlighted the areas of weakness with regards the Council's Licensing functions, in that there are two which do not operate consistently or use the same computer system. Internal Audit recommended that the two Licensing functions be amalgamated, and this recommendation appeared on the 2008/09 Governance Action Plan but has not been implemented. The issues highlighted in the review of NI 182 are likely to have been exacerbated by the inconsistent methodologies and systems.</p>	<p>The majority of the licensing roles planned to be transferred to the Licensing Service have now been transferred. There remain a few licence types still to be considered. These are less numerous in terms of the number of licences/registrations and will be transferred over the next two months or by the end of 2009.</p> <p>It should be noted that the Environmental Health Service will retain camp site licensing, caravan and camp site registration, approved food premises registration, houses in multiple occupancy licensing, food premises notification, cooling tower notification and environmental permitting registration/authorisation.</p>	<p>SMT</p>