

Date: 10 January 2011
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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)

East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL

For information:
Portfolio Holder, Resources – Councillor Andrew Moulding
Member Champion for Data Quality – Councillor Graham Troman

DX 48705 Sidmouth

Chief Executive
Corporate Directors
Head of Finance

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Chris Powell, Head of ICT
Sulina Tallack, Section 106 Officer

Dear Sir/Madam,

Audit and Corporate Governance Committee

Thursday 20 January 2011

Committee Room at 2.30pm

The above meeting will be held in the Committee Room at East Devon District Council Offices, Knowle, Sidmouth, to consider the matters detailed on the agenda below.

Yours faithfully,

MARK WILLIAMS

Chief Executive

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 11 November 2010.

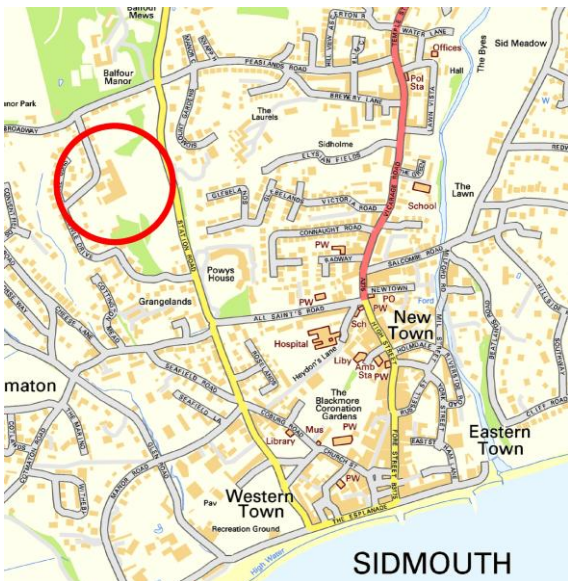
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3	To receive any apologies for absence.		
4	To receive any declarations of interests relating to items on the agenda.		
5	To consider any items which in the opinion of the Chairman, should be dealt with as matters of urgency because of special circumstances.		
	(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 are no items which Officers recommend should be dealt with in this way.		
7	Audit Plan 2011-11	External Auditors, Grant Thornton	7 – 21
8	Certification work report 2009-10	External Auditors, Grant Thornton	22 - 34
9	Progress Report on Data Breach Actions	Chris Powell, Head of ICT	35 – 44
10	Electoral Staffing and Payment Principles	Returning Officer	45
11	Section 106 Developer Contributions	Sulina Tallack, Section 106 Officer	46 – 50
12	Corporate Governance Action Plan	Diccon Pearse	51 – 57
13	Internal Audit Activity Report	Internal Audit, Chris Gunn, SWAP	58 -

Members remember!

- You must declare the nature of any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.
- Where you have a personal interest because the business relates to or is likely to affect a body of which you are a member or manager as an EDDC nominee or appointee, then you need only disclose that interest when (and if) you speak on the item. The same rule applies if you have a personal interest in relation to a body exercising functions of a public nature.
- 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 Knowle, Sidmouth, on Thursday 11 November 2010

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

Also Present: Councillors:
Graham Brown, Portfolio Holder, Environment
Andrew Dinnis
Andrew Moulding, Portfolio Holder, Resources
Philip Skinner
Graham Troman, Member Champion for Data Quality

Officers: Simon Davey, Head of Finance
Christopher Holland, Democratic Services Officer
Denise Lyon, Monitoring Officer
Diccon Pearse, Corporate Director
Mark Williams, Chief Executive

Internal Auditors: Fiona Casey, South West Audit Partnership
Chris Gunn, South West Audit Partnership

External Auditors: Kate Jefferies, Grant Thornton
Barrie Morris, Grant Thornton

Apologies: Councillor:
Derek Button
Bob Buxton

The meeting started at 2.30 pm and ended at 3.54 pm

***27 Public Questions**

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

***28 Minutes**

The minutes of the meeting of the Audit and Corporate Governance Committee held on 23 September 2010 and the minutes of the Special Meeting of the Audit and Corporate Governance Meeting held on 7 October 2010 were confirmed and signed as a true record.

***29 Exempt Information**

RESOLVED that the classification given to the document to be submitted to the Sub-Committee be confirmed and that the report relating to exempt information be dealt with under Part B of the agenda.

***30 Annual Audit Letter 2009/10**

Consideration was given to the report of the Council's external auditors, Grant Thornton regarding the annual audit letter 2009/2010. Barrie Morris presented the report to members commenting that the letter summarised the key issues arising from the work the external auditors had been carrying out during 2009-10 including the audit of accounts and use of resources.

***30 Annual Audit Letter 2009/10 (cont'd)**

Kate Jefferies stated that the 2009-10 audit had taken place against the backdrop of a challenging environment and potential rationalisation of spending across all Local Government. She commented that the Council had performed well against set budgets and the use of resources was a key area of achievement and being particularly well managed. Following discussion in detail on each part of the letter, Members were asked to note the contents before it was published on the Audit Commission website.

RESOLVED: that the Annual Audit Letter 2009/10 be noted.

***31 Report of Internal Audit Activity 2010/11 plan update**

Members considered the report of the Council's internal auditors. Commenting on the report, Chris Gunn and Fiona Casey of the South West Audit Partnership said that this was the first report from the Council's new audit partners and the format was still being agreed on. Members requested that the reports be colour coded to help highlight potential areas of concern in the future.

RESOLVED: that the report be noted.

***32 Minutes of Corporate Risk Management Group**

Councillor Peter Bowden, Member Champion for Risk Management presented the minutes of the Corporate Risk Management Group held on 26 October 2010 highlighting that the Council was moving in the right direction with regard to risk management.

RESOLVED: that the minutes of the Corporate Risk Management Group be noted.

***33 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, 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.

***34 Report on a 'whistle blowing' allegation**

Members considered the report of the Monitoring Officer concerning a 'whistle blowing report' and allegation. Members noted the report and its contents.

Members noted that the Monitoring Officer had found no evidence to support the allegations that the Officer in question had acted inappropriately or fraudulently in the areas raised by the allegations. The Chairman reiterated that further to the meeting of the Committee held on 7 October 2010, the Officer concerned had been invited to attend the Committee to answer any questions Members may have on the allegations.

Members asked a number of questions on the report. The Officer answered and responded in detail to the points raised in the report adding that he had always acted in good faith and in a transparent manner. Members agreed that they were confident the Officer in question had not acted inappropriately or fraudulently in the areas raised by the allegations.

RESOLVED: that the report from the Monitoring Officer be noted and the matter be treated as closed.

***35 The Council's links with an outside body**

Members considered the report of the Monitoring Officer concerning the Council's links with an outside body. Members noted the report and its contents.

RESOLVED: that the report from the Monitoring Officer be noted.

Chairman Date

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Chairman Date.....

East Devon District Council







Audit plan 2010-11

December 2010



An overview of your 2010-11 Audit Plan

This is our audit plan for the financial year 2010-11 for East Devon District Council (the Council). It sets out the work that we will carry out in discharging our responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

<p>We set an indicative fee in March 2010. In setting this fee, we assumed that, whilst the transition to IFRS is a significant change and challenge, the general level of risk in relation to the audit would not be significantly different from that identified for 2009-10. Following the completion of the 2009-10 audit we have updated our accounts audit risk assessment.</p>	 <p>See Accounts risk assessment</p>
<p>In August 2010 a new approach to local Value for Money audit work was introduced by the Audit Commission. From 2010-11 we will give our value for money conclusion based on two reporting criteria specified by the Audit Commission focusing on financial resilience and prioritising resources.</p>	 <p>See Value for Money audit</p>
<p>Your Engagement Lead remains unchanged from 2009-10 but we have taken the opportunity to introduce Jenny Dwyer as the new Audit Manager and Sophie Brown as In-Charge Auditor. As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.</p>	 <p>See Engagement team</p>
<p>We have used the Audit Commission scale of fees work programme for 2010-11 to calculate your proposed audit fee. We have reduced this back to the scale fee to reflect recent changes in our local risk assessment.</p>	 <p>See Audit fee</p>
<p>You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work to provide our opinion on the accounts and the value for money conclusion and culminating in the issue of our Annual Audit Letter to the Council.</p>	 <p>See Outputs and timeline</p>
<p>We have considered our independence and objectivity in respect of the Audit and do not believe there are any matters which should be brought to your attention. We comply with the Audit Commission's requirements in respect of independence and objectivity</p>	 <p>See Appendix A</p>

Accounts risk assessment

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2010-11 accounts at the Council. The plan is based on our risk-based approach to audit planning and is based on our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

The Council's responsibilities

The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare accounts, which give a true and fair view of the financial position of the Council and its expenditure and income in accordance with International Financial Reporting Standards (IFRS).

Our responsibilities

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question;
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements; and
- whether the Annual Governance Statement (AGS) has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.



Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response.

Table 1: Accounting risks and planned audit response

Key audit risk	Audit areas affected	Audit approach
2010-11 financial statements do not comply with the requirements under International Financial Reporting Standards (IFRS)	All areas of the financial statements	<ul style="list-style-type: none"> Specialist technical support will be made available to the Council through the provision of IFRS training and seminars and responding to technical queries. We will review the implications of any developing issues through reference to IFRS guidance and the finalised IFRS Code and discuss with the Council accordingly. We will undertake an initial review of the Council's restatement of its opening balance sheet and 2009-10 comparatives to IFRS and provide feedback on the treatment of balances and where additional actions may be required to ensure correct treatment in line with the new standards.
Financial performance pressures affecting the Council's ability to deliver its budget and provide services	All areas of the financial statements	<ul style="list-style-type: none"> We will review the Council's financial performance for the year against its agreed budget. We will review the Council's progress in achieving the required level of savings against its savings plan. We will consider the use of general reserves during the year.
Incorrect accounting for borrowing	Borrowing	<ul style="list-style-type: none"> We will review the accounting policies adopted by the Council following any future decisions made in relation to borrowing. We will review the accounting transactions processed by the Council during 2010-11 to ensure that any borrowing is appropriately accounted for.
Revaluation of fixed assets	Property, plant and equipment	<ul style="list-style-type: none"> We will review the valuation methods and judgements adopted by the Council to ensure in line with the IFRS Code, particularly in relation to the valuation of housing stock being performed this year. We will review the accounting treatment of any significant valuation changes to ensure appropriately reflected and disclosed in the Statement of Accounts.
Insufficient resources to address issues arising from the 2009-10 accounts audit	All areas of the financial statements	<ul style="list-style-type: none"> As part of our interim audit, we will review progress against the recommendations made in our 2009-10 ISA260 report and consider whether adequate closedown arrangements are in place, incorporating plans for management review of the accounts and resources for preparation of comprehensive working papers.

Accounts audit - approach

Audit approach

We will:

- work closely with the Finance Team to ensure that we meet audit deadlines and conduct the audit efficiently;
- plan our audit on an individual task basis at the start of the audit, and timetables agreed with all staff involved; and
- consider the materiality of transactions when planning our audit and when reporting our findings.

In summary our audit strategy comprises:

Planning	Updating our understanding of the Council through discussions with management and a review of the management accounts
Control evaluation	<ul style="list-style-type: none"> • Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements • Assessing audit risk and developing and implementing an appropriate audit strategy • Testing the operating effectiveness of selected controls • Assessing internal audit against the CIPFA Code of Practice
Substantive procedures	<ul style="list-style-type: none"> • Reviewing material disclosure issues in the financial statements • Performing analytical review • Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate
Completion	<ul style="list-style-type: none"> • Performing overall evaluation • Determining an audit opinion • Reporting to Audit and Governance Committee

Accounts audit - other issues

Other issues

Annual Governance statement

As part of our work on the accounts audit, we will review the Annual Governance Statement (AGS) to determine if it is consistent with our knowledge of the Council.

Whole of Government Accounts

We will also review the Whole of Government Accounts (WGA) consolidation pack for consistency with the Council's accounts.

Elector challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts;
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Certification of Grants and Returns

In addition to our audit of the Council's financial statements and Value for Money, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commissions 'Work programme and scales of fees 2010-11.'

We will issue a report in full to the Council on conclusion of our certification work.

National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

Value for money audit

Introduction

The Code requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

2010-11 VFM conclusion

Since we issued our indicative fee letter, a new approach to local Value for Money audit work has been introduced by the Audit Commission. From 2010-11 we will give our value for money conclusion based on two reporting criteria specified by the Audit Commission:

- whether the Council has proper arrangements in place for securing financial resilience; and
- whether the Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Code criteria



Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- undertake a detailed review of the Council's medium term financial plan and its strategy for identifying, implementing and monitoring cost reductions and savings;
- consider the Council's financial performance against Local Government financial ratios; and
- consider the Council's response to the CSR and the impact that this will have on the Council's financial planning.

On completion of the initial risk assessment, we will agree with the Council whether further work may be required to address any high risk areas identified.

Value for money audit

Code criteria

Work to be undertaken

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- consider the arrangements the Council has in place to ensure effective project management and that there is effective post-implementation reviews of projects; and
- review how the identification of savings, efficiencies and investments reflect corporate priorities.

We will tailor our VfM work to ensure that as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for Officers and Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed with Officers and presented to Audit and Governance Committee.

The results of all our local VfM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.



Engagement team

Your main audit team is based in Bristol and are all public sector specialists.

However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



Barrie Morris (CPFA)
Engagement Lead
T 0117 305 7708
E barrie.morris@uk.gt.com

Barrie is the Council's Engagement Lead, bringing his extensive local authority expertise to the Council. Barrie will be a key contact for the Chief Executive, the Corporate Director, other senior Council Officers and the Audit and Governance Committee.

Barrie is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion.



Jenny Dwyer (CPFA)
Audit Manager
T 0117 305 7647
E jenny.dwyer@uk.gt.com

Jenny is responsible for managing the audit and is the main contact for the Head of Finance.

Jenny will provide feedback to the Council throughout the audit process and is the first point of contact during the year for discussing and resolving technical accounting issues that may arise. Jenny liaises closely with the Council's internal auditors to minimise duplication of work.



Sophie Brown (CPFA)
In-charge Auditor
T 0117 305 7600
E sophie.brown@uk.gt.com

Reporting to Jenny, Sophie is responsible for the performance of the audit fieldwork and the day-to-day liaison with the Council's finance department. Sophie will be supported by a team of assistants.

Negat Sultan
IT Audit Manager
T 0116 247 5590
E negal.sultan@uk.gt.com

Negat is responsible for review of the Council's IT systems to complement the financial accounts process. Negat also takes the lead on any additional work required in areas such as data quality and security.

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2008.

It represents the Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

How we calculate your scale audit fee

The Council's audit fee is calculated in accordance with the Audit Commission's scale of audit fees for 2010-11. For the Council, the scale calculation includes a fixed element for a district council and a percentage of planned gross expenditure as determined by the Audit Commission.

Variations to the scale audit fee

Based on a thorough review by the audit team which includes discussions with Council Officers and Members, we then tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission, following agreement of the proposed fee with the Council.

2010-11 audit fee

As set out in our indicative Audit Fee Letter issued in February 2010, the total indicative fee for the audit for 2010-11 was £126,300 (exclusive of VAT), this is compared to the fee of £109,500 for 2009-10.

The scale audit fee for the Council has been calculated at £117,300. The audit fee proposed for 2010-11 of £126,300 was above this to reflect the additional work we planned to undertake in relation to the shared service arrangements. As further development of this arrangement is not going to progress as planned, we propose to defer this work until an appropriate future date. Consequently, the £9,000 for this work will not be charged in 2010-11 and the fee charged is returned to the scale fee prescribed by the Audit Commission.

The fee will be subject to continuous review and may be revised if significant new risks are identified either as part of our planning or during the audit or if we are unable to progress the audit as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with senior officers and advise the Audit and Corporate Governance Committee at the earliest opportunity.

The proposed work programme and scale of fees 2011-12 issued for consultation by the Audit Commission in December 2010, indicates that a rebate of 1.5% of the 2010-11 fee will be paid directly to the Council early in the New Year. This is in addition to the earlier rebate of 6% for the additional costs arising from the transition to International Financial Reporting Standards (IFRS).

A summary of the audit fee is shown in the table below:

Table 2: 2010-11 audit fee

Audit area	Revised Planned fee 2010-11	Planned fee 2009-10
Financial statements, including WGA	£76,300	£69,000
VfM conclusion	£41,000	£40,500
Total audit fee	£117,300	£109,500
Certification of claims and returns*	£30,000(est)	£30,000(est.)

* the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

New approach to local VfM work – impact on the 2010-11 audit fee

The Audit Commission wrote to all council chief executives in August 2010 to advise of the new approach to local Value for Money for audit work and the impact of this on the 2010-11 audit fee following the cessation of the Comprehensive Area Assessment (CAA).

The Audit Commission confirmed to councils in this letter that the new approach will mean a reduction in audit fees from 2011-12. For 2010-11, the Commission has announced rebates of 7.5% on the scale fee. The Audit Commission also confirmed that it did not intend to charge inspection fees for work carried out in 2010-11 in relation to the managing performance part of the organisational effectiveness assessment as this had no value once CAA ended.

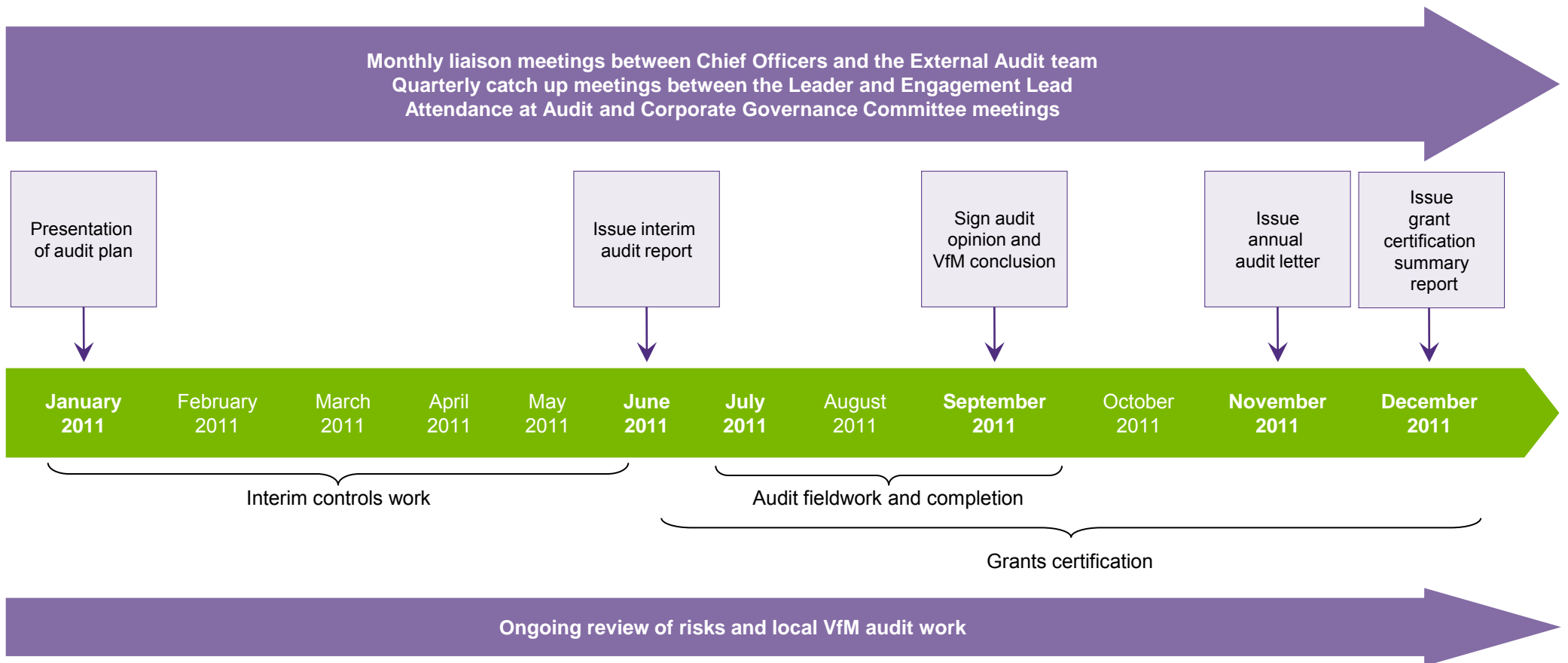
Outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Audit and Corporate Governance Committee.

Reports are addressed to the Audit and Corporate Governance Committee and management and are prepared for the sole use of the Council, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
Audit plan	<ul style="list-style-type: none"> Outline audit approach Identify initial high risk areas and our planned response Confirm Plan with Audit and Corporate Governance Committee 	December 2010
Audit Approach Memorandum	<ul style="list-style-type: none"> Outline our audit strategy on conclusion of controls work Review risks and update planned response accordingly Highlight focus areas for the audit Confirm with Senior Officers and the Audit and Corporate Governance Committee 	June 2011
Report to those charged with Governance (ISA 260)	<ul style="list-style-type: none"> Highlight key issues arising from the audit and detail the resolution of these Communication of adjusted and unadjusted audit differences Improvement recommendations resulting from audit procedures 	September 2011
Auditor's reports	<ul style="list-style-type: none"> Report on 2010-11 financial statements Report on 2010-11 value for money conclusion 	September 2011
Annual audit letter	<ul style="list-style-type: none"> Summarises the key issues arising from our 2010-11 audit 	November 2011
Grants claim certification	<ul style="list-style-type: none"> Highlights key issues arising from our grants certification work Recommendations identified for improvement 	December 2011

Timeline



Appendix

Appendix A

Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the audit and corporate governance committee. The auditor reserves the right, however, to communicate directly with the authority on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years.
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.



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East Devon District Council

Certification work report 2009-10

December 2010

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1 Introduction and approach

Introduction

- 1.1 Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information. As East Devon District Council's (the Council) external auditors, Grant Thornton undertakes certification work at the Council, acting as an agent of the Audit Commission.
- 1.2 The Audit Commission makes certification arrangements with grant-paying bodies, this includes confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and they clearly set out the specific procedures to be applied in examining a claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

Certification arrangements

- 1.3 The Audit Commission's certification arrangements are designed to be proportionate to the claim or return: The arrangements for 2009-10 were:
 - for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions;
 - for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but were not required to undertake any testing of the eligibility of expenditure or data; and
 - for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.
- 1.4 In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, and make appropriate use of relevant internal audit work.

Our certificate

- 1.5 Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in

accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

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

1.6 Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

2 Results of our certification work

Key messages

- 2.1 For the financial year 2009-10, we have certified six claims and returns for the Council, which amounted to £70 million. This represents both funding claimed by the Council and returned to grant-paying bodies, as well as other financial and non-financial information.
- 2.2 The Council's performance in preparing claims and returns is summarised in the table below.

Exhibit One: Performance against key certification targets

Performance measure	2009-10	2008-09	Direction of travel
Without qualification	3	3	↔
Amended only	1	2	↑
Qualified only	0	0	↔
Amended and qualified	2	1	↓
Total	6	6	

- 2.3 This demonstrates that overall the Council's performance in preparing claims and returns has slightly fallen since 2008-09, with an increase in the number requiring a qualification. This is due to the 2009-10 amendment and qualification of the housing and council tax benefit subsidy claim, which was certified without qualification in 2008-09.
- 2.4 Details on the certification of all claims and returns are included at appendix A. Where we have concluded that an item is significant, further details are included below in this section of our report.
- 2.5 Where claims and returns have been amended or qualified and we have identified opportunities for improvement in the compilation in future years, we have made recommendations to support the Council's continuous improvement. These are included in the action plan at appendix B.
- 2.6 The Council's and our performance in meeting deadlines related to the certification of claims and returns is summarised in the following table.

Exhibit Two: Performance against deadlines

Deadline	2009-10	2008-09	Direction of travel
Submitted by deadline	6	5	↑
Certified by deadline	6	6	↔

- 2.7 In 2009-10, the Council met submission deadlines for all claims which we are required to certify, demonstrating improvement on the previous year, and we have continued to meet all certification deadlines.

Certification work fees

- 2.8 Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Exhibit Three: Hourly rates for certifying claims and returns for 2009-10

Role	2009-10	2008-09
Engagement lead	£325	£310
Manager	£180	£170
Senior auditor	£115	£110
Other staff	£85	£80

- 2.9 Our fee for certification work at the Council in 2009-10 was £35,199, compared to £31,275 for 2008-09. Our fee is above our estimate of £30,000 included in our 2009-10 financial statements plan presented to the Audit and Governance Committee in January 2010 due to the additional work that we were required to perform following the identification of amendments and qualification issues for the housing and council tax benefit scheme and the housing subsidy claims. Details of our fee by claim and return and how this compares to last year are included at appendix A.

Significant issues

- 2.10 We identified significant issues in relation to the following claims and returns:
- housing revenue account subsidy base data return; and
 - housing and council tax benefits scheme.

Housing revenue account subsidy base data return

- 2.11 Councils are required to report details of their housing stock in this annual return to enable CLG to determine subsidy entitlement for the next full financial year. The HRA subsidy base data return was qualified in 2007-08 and 2008-09 because the Council was not able to support the classification of its housing stock between the categories required on the return. Although the Council has undertaken a stock survey, five cells remain qualified in 2009-10 due to insufficient evidence being available to support the classifications. Without further work being performed by the Council to determine the construction date and floor area of each property, these cells will continue to be qualified in future years.
- 2.12 A spreadsheet is provided by CLG for compulsory use for authorities to calculate rental figures for three cells in the base data return. We reported in 2008-09 that the Council does not have all the data required for the completion of this spreadsheet and this continued to be the case in 2009-10. Without this data, these cells will also be qualified in future years.

Housing and council tax benefit scheme

- 2.13 The housing and council tax benefit subsidy claim requires overpayments to be analysed into different categories relating to the cause of the overpayment, with the different categories attracting different rates of subsidy. Our testing identified a number of non-HRA and HRA rent rebate overpayments that had been incorrectly classified by the Council in the subsidy claim. Additional testing identified further errors, resulting in both amendment and qualification to the claim. The amendments increased the subsidy claimed by £295. The extrapolated effect of the qualification would be a reduction in subsidy of £2,769, which we are required to report to Department for Work and Pensions.
- 2.14 In order to address the issue of errors being processed, the Council should consider whether further training should be provided to staff processing benefit overpayments to enable them to correctly determine the reason for each overpayment and ensure accurate coding for subsidy purposes.

Acknowledgements

- 2.15 We would like to take this opportunity to thank Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

December 2010

A Details of claims and returns certified for 2009-10

Claim or return	Value (£)	Certificate	Summary	Fee (£) 2009-10	Fee (£) 2008-09
Housing and council tax benefit scheme	33,811,561	Amended and qualified	<p>We certified that the claim was fairly stated and in accordance with terms and conditions, except for qualification in relation to identification of HRA rent rebates overpayment classification errors, as detailed in paragraph 2.13 of this report.</p> <p>In addition, for ten rent allowance cases, we were unable to evidence that the rent was being paid by the claimant. The Council has stated that it is not required to request this evidence from claimants. We understand that this is a national issue which has been raised with the Department for Work and Pensions by the Audit Commission. As such, we reported on this issue but did not undertake additional testing.</p> <p>The claim was also amended to correct:</p> <ul style="list-style-type: none"> • non-HRA overpayment classification errors; and • errors in the application of the non-HRA threshold. <p>These amendments increased the subsidy claimed by £295. The extrapolated effect of the qualification would be a reduction in subsidy of £2,769, which we are required to report to Department for Work and Pensions.</p> <p>The fee increase is due to the additional work undertaken in relation to the amendments and qualification issues set out above.</p>	22,450	19,633

Claim or return	Value (£)	Certificate	Summary	Fee (£) 2009-10	Fee (£) 2008-09
Pooling of housing capital receipts	388,697	Clean	We certified that the return was in accordance with underlying records.	826	895
HRA subsidy	(5,391,180)	Amended	<p>We certified that the return was fairly stated and in accordance with terms and conditions, following two amendments. These corrected a data entry error on completion of the claim and to ensure consistency with the amended HRA subsidy base data return. These amendments did not have any impact on the HRA subsidy entitlement.</p> <p>The increase in fee is due to amendments being required to the 2009-10 HRA subsidy claim.</p>	2,480	1,860
HRA subsidy base data return	Non-financial	Amended and qualified	<p>We certified that the base data return was fairly stated and in accordance with terms and conditions, except for qualification in relation to the following:</p> <ul style="list-style-type: none"> the Council was not able to support the classification of its housing stock between small or large and traditional or non-traditional dwellings; the spreadsheet provided by the CLG for compulsory use had not been used to generate weekly rent figures; and the Council was not able to provide evidence to support the valuation of new HRA properties. <p>Recommendations to address these issues are included in appendix B.</p> <p>In addition, the return was amended to exclude a property that was not part of the HRA, but was included in the return in error. This did not have any financial impact.</p>	5,015	4,538

Claim or return	Value (£)	Certificate	Summary	Fee (£) 2009-10	Fee (£) 2008-09
Disabled facilities	402,000	Clean	We certified that the return is in accordance with underlying records.	593	835
National non-domestic rates return	29,933,056	Clean	We certified that the return was fairly stated and in accordance with terms and conditions. The fee is lower than last year due to improvements made by the Council in the submission of the return and in the quality of working papers provided.	2,895	3,515
Cost of reporting to those charged with governance	-	-	We did not recover the cost of reporting in 2008-09. The Audit Commission guidance states that this should be charged at cost.	940	Nil
Totals	69,926,494			35,199	31,275

B Action plan

Claim or return	Recommendation	Priority	Management response & implementation details
All schemes	All claims and returns should be subject to independent review prior to submission for certification. This review should be documented.	High	Head of Finance This will be done although a view will be taken on a claim by claim basis on the appropriateness of an independent review depending on risk and additional staff time required. Implemented
Housing and council tax benefit scheme	Staff processing benefit overpayments should receive regular training enabling them to correctly determine the reason for each overpayment and ensure accurate coding for subsidy purposes.	High	Head of Finance Regular training is given to assessment staff and the specific overpayment errors identified by Audit were included in recent training undertaken by all assessment staff. Benefit Team Leaders will also be reviewing this specific area along with other assessment accuracy checks they undertake. Implemented

Claim or return	Recommendation	Priority	Management response & implementation details
HRA subsidy base data return	Construction dates and dwelling sizes for the Council's HRA properties should be determined and evidenced to demonstrate the classification of housing stock on the base data return is correct.	High	<p>Head of Housing</p> <p>The Host Access housing property database has details of housing construction dates and floor areas for every council home compiled through property inspections. This old system is difficult to manipulate but has been found to be reliable and accurate.</p> <p>A recently completed sample stock condition survey undertaken by consultants on 50% of our stock will shortly be available as an independent verification of age and property size.</p> <p>The Government has given a clear indication that 2011/12 will be the last year of the Housing Revenue Account system which presumably means that the HRA subsidy claim will not be required in future years.</p> <p>September 2011</p>
HRA subsidy base data return	Information should be obtained to complete the compulsory spreadsheet provided by the CLG to generate weekly rent figures.	High	<p>Head of Housing</p> <p>The previous in-house ICT system did not record the details necessary to complete this spread sheet. The Authority has since migrated to a new software package and no details were available to be migrated across. The requirement to publish these details has only in the last two years become compulsory and to comply now would be difficult and require weeks of officer time to manually prepare the figures going back to 2002/03 rent year. This audit point was raised last year and the Government department has not required the Council to take any further action.</p> <p>The Government has given a clear indication that 2011/12 will be the last year of the Housing Revenue Account system which presumably means that the HRA subsidy claim will not be required in future years.</p>

Claim or return	Recommendation	Priority	Management response & implementation details
HRA subsidy base data return	Evidence to support the valuation of all new HRA land, dwellings or other property should be obtained.	Medium	Head of Finance These new properties will be included in next valuation to be carried out by the Valuation Office in Feb/March 2011.

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Agenda Item 9

Audit and Governance

CP



Progress Report on Data Breach Actions

Summary

The report provides an update on the progress of agreed actions associated with the Data Breach report to A&G in October 2010.

Recommendation

- 1) That the committee supports the proposal to purchase Data Loss Prevention software and that provision for its acquisition be made in the 2011-12 capital budget subject to funding being available.
- 2) That the actions taken/proposed to be taken outlined in the report to remedy identified deficiencies be supported
- 3) That a further report be presented to the committee on a suitable alternative to webmail

a) Reasons for Recommendation

To ensure members are kept informed of progress.

b) Alternative Options

None

c) Risk Considerations

None

d) Policy and Budgetary Considerations

One of the recommendations requires the potential purchase of a Data Loss Prevention system. The cost has been evaluated at £20,000 and has been included as a capital bid in the FY2011 budget.

e) Date for Review of Decision

None

1 Progress

This report refers to the recommendations made in the report to Audit and Governance Committee on 2 October 2010.

1.1 Recommendation 6.1- Network File Access Controls

Files on the network are protected with access control restrictions. This limits the access to the data to only those employees that need access to it. Internal Audit have previously insisted that they needed access to ALL data and systems on the network at ALL times and that such access should be available permanently without the need to request it for specific time limited auditing purposes. Despite challenges by ICT to this approach the decision to provide access on this basis was maintained until August 2010.

Recommendation: Auditors are provided time -limited access to systems as audit purposes require them.

Progress:

Changes have been made to the network access rights for auditors in line with normal practice and after consultation with SWAP. This means that if an auditor requires special access then this is granted for a set period of time and then withdrawn immediately after use.

1.2 Recommendation 6.2 - Data retention

The data that was sent in the email should no longer have been held by the council. The purpose of the data was that it was to be sent to the National Fraud Initiative in 2008. The data should have been deleted by the council once that exercise was complete.

In addition some of the data within the file should not have been included in 2008 as it contained information about people who no longer needed to be on the payroll system.

Recommendation: the payroll database should be reviewed to ensure there are no longer live records that are not required, especially containing information about those who have served on elections

Progress:

Once a person has been added to the payroll database they cannot be removed altogether. It is possible to remove bank details from a record but there are implications in doing this and so the approach being taken is:

With Election Staff – The bank details will be removed at the same time as the leavers process is actioned in Trent (HR system). This will be done within 3 months of an election for all staff who have NOT been paid for that election. A guidance manual has been drafted to ensure this is implemented.

All elections staff who had not worked at the last election have been made a leaver within the system. The balance of live staff in this category is now approx. 150.

With employees of EDDC (including Members and Gratuities) – The bank details will be removed as an annual exercise carried out in May for all leavers in the preceding year (April to March). This allows for retrospective payments due to pay awards, overtime claims and expenses. This way whilst a leaver could be up to a year old, bank records would never be retained longer than a year

There is a common requirement to make retrospective payments and the alternative if we were to remove bank details at the point of processing the leaver would be that a cheque would have to be raised. This is an expensive and resource intensive method to make payments.

The Trent system can flag a person as a leaver and can then be excluded from any required reports.

With people identified as “leavers” on the database – bank details of all leavers over a year old have been removed from the system.

Recommendation: that the council’s Data Retention Policy is reviewed and publicised.

Progress:

The responsibility for the Data Retention Policy has rested with Internal Audit. With the move to SWAP all processes have or are being transferred to other parts of the council.

Responsibility for Data Retention Policy was passed to ICT at the SMT meeting on 15 December 2010. The policy is to be re-written and presented to SMT in February 2011 for approval and subsequent publication and awareness training.

The Data Retention Policy processes will then fall under the overarching co-ordination of the Information Management Group (IMG). The IMG is a cross-council group being proposed to oversee all elements of information and data management. A report outlining the responsibilities of the IMG is intended for the February SMT meeting followed by the earliest Executive meeting.

The files at the heart of the data breach have all been removed from all known storage areas.

To examine every single file on every storage device is not a viable proposition to carry out manually. This is the one of the main functions of a Data Loss Prevention system.

1.3 Recommendation 6.3 - Monitoring Systems

It was felt that this data loss incident was discovered almost by accident and that without suspicions being acted upon the incident would have gone unnoticed.

The IT systems in place scan and monitor a lot of data activity and it was anticipated that, together with training and awareness, this would cover risks sufficiently. However, there are IT systems on the market that could have detected file movements containing this type of data involved in the breach and are called Data Loss Prevention (DLP) systems .

DLP systems can detect a “fingerprint” within a computer file and control what can be done with the file. For example, the system could identify if a file contains bank account numbers or National Insurance numbers and block the transmission of that file via email.

A DLP system can also discover and report on all the files on the network that contain sensitive data including how long they have been held, where they are held, and who created and used them.

A DLP could be integrated with a Protective Marking Scheme (see next recommendation). This means that any documents that an employee electronically marks as PROTECT or RESTRICTED can be tightly controlled. For example, a DLP system could prevent being files being transmitted to unauthorised recipients (including personal or private email addresses) or even printed by unauthorised people.

DLP systems can cost between £10,000 and £40,000 to buy depending upon existing security systems in place. The systems do require careful set up, constant monitoring and add additional processing and storage loads.

Recommendation: Investigate use of Data Loss Prevention system at DCC and Exeter City with a view to implementing such a system for the SSDC and EDDC partnership.

Progress:

Investigations have been carried out into feasibility of implementation of a suitable DLP system within EDDC and SSDC. We have concluded that if such a system was in place it would have made it very difficult or impossible, without our knowledge, to:

- Send the particular file out via the councils email
- Copy the file from the network onto any form of transportable media
- Carry out a copy and paste activity to another file.
- Even print the file (depending upon the system and the settings).

However, if someone is determined enough there is usually a way to get around blocks...unless we put MI5 type security in place.

A DLP does have the added benefit of being able to scan all internal files automatically using settable criteria which could prevent files with sensitive information sitting around for too long and in the wrong place.

The systems on the market have been examined against criteria of cost, functionality, ease of administration and usability. A preferred product has been identified which is a reasonable compromise against these criteria.

Full cost of the preferred product together with implementation and training services is around £20,000 one-off capital costs with yearly support costs of around £4,000.

The system will put an additional administrative load onto ICT in that it will send out reports of activities which need analysing and also alerts that will need an instant response.

The current situation is that finance for the DLP system is being put forward for consideration in the 2011/12 budget. If this is approved a procurement exercise will be carried out with a likely implementation date of June/July 2011. If members feel that risks are sufficiently high to warrant an earlier intervention different financial arrangements will be needed.

Recommendation: carry out a review of what data is stored with a view to bringing it within the protective marking scheme.

Progress:

To review all data effectively requires a DLP system that can examine all files on the network automatically. Carrying out this exercise manually would be hugely time consuming and impractical and will not be started until the decision regarding a DLP system is made.

1.4 Recommendation 6.4 - Protective Marking Scheme

It is a requirement of the council's commitment in meeting the Government Connect Code of Connection (CoCo) that a Protective Marking Scheme is introduced. The scheme requires that sensitive or personal data is given a protective marking which denotes its sensitivity and the impact of loss, and this includes email.

The CoCo protective marking scheme has been considered by ICT to be ambiguous until recently but is now in a fit state to begin to implement into the normal day-to-day working of the council. Further guidance notes are due from the "owners" of CoCo in January 2011.

The scheme would support a Data Loss Prevention system where system could detect what Protective Marking label was in place on the files being monitored and act accordingly.

If the recent data breach scenario was replayed with Protective Marking and a DLP system in place then:

- The data could have been stopped from leaving the organisation via email
- The data would have been identified as being "old"
- The data would have been identified as being stored "incorrectly"

Recommendation: the Protective Marking Scheme is introduced as soon as is practical.

Progress:

Mandatory Information Security awareness sessions are being carried out for all EDDC computer users at the moment. Training for members is being planned for early February.

Implementation of a Protective Marking scheme, as approved by CoCo, is included within the awareness scheme material.

Implementation of marking electronic documents will begin early in the New Year. Methods of marking will depend on whether a DLP system is purchased or not.

1.5 Recommendation 6.5- Webmail facilities

In addition to Secure Remote Access via Citrix, the council provides employees and councillors with access to corporate email via a webmail facility. Whilst all the data accessed via webmail is encrypted, it does allow the user to save emails, including file attachments, from their corporate mailbox to the computer being used for access. This may be a personally owned home computer or public Internet kiosk.

Citrix Remote Access does not allow files to be downloaded to the local computer in this way.

Recommendation: the council re-evaluates the risks associated with the current webmail facility to decide if the ability to transfer council data onto personally owned or public computers remains acceptable.

Progress:

The risks and use of Webmail have been reviewed and discussed with the people who run the Government Connect security regime, the Code of Connection (or CoCo). Their latest stance on Webmail is:

- It is not suitable for data classified as "Restricted"
- it is unlikely to be suitable for some sensitive data that falls under "Protect" classification
- the risk should be reviewed by the council who should decide for themselves whether they can accept the risks or not.

There are a number of alternatives being investigated at present that will also provide wider access to IT services for members.

1.6 Recommendation 6.6 - Garden Leave

The Council's contracts of employment do now contain clauses which allow the Council to pay in lieu of notice and this was implemented approximately 6 years ago but after the Internal Audit Manager was employed. Additionally, future contracts will contain garden leave clauses which will allow the Council the option of asking people to remain at home during garden leave and to cut off their access to Council's systems. In this particular case, there was nothing that we could have done to anticipate this breach and we would not have been able to commence consultations and immediately have asked the person concerned to remain at home. This would have posed a risk of a claim for constructive, unfair dismissal.

Recommendation: The Head of Organisational Development to ensure future employment contracts are robust in this area.

Progress

All new contracts will include the option for the Council to send people who are on notice onto "garden leave". Members should note that this would not have prevented this particular breach from occurring as all activity was carried out during normal employment.

Legal Implications

No further legal observations.

Financial Implications

This project for £20,000 did not reach a sufficient score during the Capital Appraisal process to be included in the 11/12 Capital Programme given other statutory and Health and Safety priorities.

However it can be submitted as a separate item for consideration.

Consultation on Reports to the Executive

None

Background Papers

- Report to A&G 7 October 2010.

Chris Powell
Head of ICT

Press release

24 November 2010

First monetary penalties served for serious data protection breaches

The Information Commissioner today served two organisations with the first monetary penalties for serious breaches of the Data Protection Act.

The [first penalty](#), of £100,000, was issued to Hertfordshire County Council for two serious incidents where council employees faxed highly sensitive personal information to the wrong recipients. The first case, involving child sexual abuse, was before the courts, and the second involved details of care proceedings.

The [second monetary penalty](#), of £60,000, was issued to employment services company A4e for the loss of an unencrypted laptop which contained personal information relating to 24,000 people who had used community legal advice centres in Hull and Leicester.

The Hertfordshire County Council breaches occurred in June 2010 when employees in the council's childcare litigation unit accidentally sent two faxes to the wrong recipients on two separate occasions. The council reported both breaches to the Information Commissioner's Office (ICO).

The first misdirected fax was meant for barristers' chambers and was sent to a member of the public. The council subsequently obtained a court injunction prohibiting any disclosure of the facts of the court case or circumstances of the data breach.

The second misdirected fax, sent 13 days later by another member of the council's childcare litigation unit, contained information relating to the care proceedings of three children, the previous convictions of two individuals, domestic violence records and care professionals' opinions. The fax was mistakenly sent to barristers' chambers unconnected with the case. The intended recipient was Watford County Court.

The Commissioner ruled that a monetary penalty of £100,000 was appropriate, given that the Council's procedures failed to stop two serious breaches taking place where access to the data could have caused substantial damage and distress. After the first breach occurred, the council did not take sufficient steps to reduce the likelihood of another breach occurring.

The A4e data breach also occurred in June 2010 following the company issuing an unencrypted laptop to an employee for the purposes of working at home. The laptop contained sensitive personal information when it was stolen from the employee's house.

The laptop contained personal information relating to 24,000 people who had used community legal advice centres in Hull and Leicester. An unsuccessful attempt to access the data was made shortly after the laptop was stolen. Personal details recorded on the system included full names, dates of birth, postcodes, employment status, income level, information about alleged criminal activity and whether an individual had been a victim of violence.

A4e reported the incident to the ICO. The company subsequently notified the people whose data could have been accessed.

The Commissioner ruled that a monetary penalty of £60,000 was appropriate, given that access to the data could have caused substantial

distress. A4e also did not take reasonable steps to avoid the loss of the data when it issued the employee with an unencrypted laptop, despite knowing the amount and type of data that would be processed on it.

Information Commissioner, Christopher Graham, said:

“It is difficult to imagine information more sensitive than that relating to a child sex abuse case. I am concerned at this breach – not least because the local authority allowed it to happen twice within two weeks. The laptop theft, while less shocking, also warranted nothing less than a monetary penalty as thousands of people’s privacy was potentially compromised by the company’s failure to take the simple step of encrypting the data”.

“These first monetary penalties send a strong message to all organisations handling personal information. Get it wrong and you do substantial harm to individuals and the reputation of your business. You could also be fined up to half a million pounds.”

ENDS

If you need more information, please contact the ICO press office on 0303 123 9070 or visit the website at: www.ico.gov.uk

Notes to Editors

1. The monetary penalty for Hertfordshire County Council is available on the ICO website here:
http://www.ico.gov.uk/~media/documents/library/Data_Protection/Notices/hertfordshire_cc_monetary_penalty_notice.ashx
2. The monetary penalty for A4e is available on the ICO website here:
http://www.ico.gov.uk/~media/documents/library/Data_Protection/Notices/a4e_monetary_penalty_notice.ashx
3. Monetary penalties are listed on the ICO website here:
http://www.ico.gov.uk/what_we_cover/promoting_data_privacy/taking_action.aspx
4. The Information Commissioner’s Office upholds information rights in the public

interest, promoting openness by public bodies and data privacy for individuals.

5. The ICO has specific responsibilities set out in the Data Protection Act 1998, the Freedom of Information Act 2000, Environmental Information Regulations 2004 and Privacy and Electronic Communications Regulations 2003.
6. For more information about the Information Commissioner's Office subscribe to our e-newsletter at www.ico.gov.uk. Alternatively, you can find us on Twitter at www.twitter.com/ICOnews.
7. Anyone who processes personal information must comply with eight principles, which make sure that personal information is:
 - Fairly and lawfully processed
 - Processed for limited purposes
 - Adequate, relevant and not excessive
 - Accurate and up to date
 - Not kept for longer than is necessary
 - Processed in line with your rights
 - Secure
 - Not transferred to other countries without adequate protection
8. The Data Protection Act (1998) does not cover the acts of interception of communications or 'hacking' of personal information. The interception of communications falls under the Regulation of Investigatory Powers Act (2000) which is regulated by the Interception of Communications Commissioner.
9. The ICO has legal powers to ensure that organisations comply with the requirements of the Data Protection Act. In using its regulatory powers, the ICO considers the nature and severity of the breach which has occurred. Dependent on circumstances, the powers the ICO has at its disposal include:
 - serving information notices requiring organisations to provide the ICO with specified information within a certain time period;
 - serving enforcement notices requiring organisations to take specified steps in order to ensure they comply with the law;
 - issuing monetary penalties of up to £500,000 for serious breaches of the Data Protection Act;
 - conducting audits to assess whether organisations are processing personal data in accordance with good practice;
 - reporting to Parliament on data protection issues of concern;
 - prosecuting those who commit criminal offences under the Act. The ICO prosecutes individuals and organisations for specific breaches of the Act such as the illegal trading of personal data and non-notification.

Electoral Staffing and Payment Principles

The Returning Officer (RO) will ensure that amounts paid to staff appointed to work for district and parish elections are in line with the agreed scale of fees and reasonably reflect time and input responsibility undertaken.

The RO is ultimately responsible for the timely administration of Elections occurring in the East Devon District. Each type of Election is run in accordance with statutory rules and all these rules specify the timetable for that type of election:

Parliamentary Elections	Parliamentary Election Rules (Sch.1 of Representation of the People Act 1983)
European Parliamentary Elections	European Parliamentary Elections Regulations 2004
County Council Elections	Local Elections (Principal Areas) Rules 1986
District Council Elections	Local Elections (Principal Areas) Rules 1986
Parish Council Elections	Local Elections (Parishes & Communities) Rules 1986

The RO will be responsible for all staff appointments in accordance with approved budgets. In the case of District and Parish Elections, the RO will pay fees in line with those set by the Electoral Commission for Parliamentary Elections and other elections. The RO will continue to pay staff working at Parliamentary, European Parliamentary, County and other national elections in line with agreed fees as set out by the Electoral Commission.

All potential staff will be contacted by post or the Council email and intranet systems to be asked if they wish to be employed for the election.

For District and Parish Elections the RO will make all electoral staff appointments in writing. Staff will be appointed based on ability, experience, distance to polling station and/or count centre and made at the discretion of the RO in consultation with the Deputy Returning Officer/Elections Manager. In order to demonstrate transparency where either officer appoints a member of their own family then the other officer will deal with the staff appointment in writing including the calculation of fees as set out below. The number of staff required will be at the discretion of the RO according to the demands of the election being administered. For other elections, the RO will continue to follow the broad guidelines as set out by the electoral Commission.

Staff appointments will be confirmed in writing and will detail the fee to be paid or basis for calculating the fee. Training for staff will be made available according to funding availability and guidance set out by the Electoral Commission.

Election payments will be made through payroll system by BACS.

Agenda Item 11

Audit & Governance Committee

20 January 2011

ST



Section 106 Developer Contributions

Summary

A new post of Section 106 Monitoring Officer was established in 2008 within the Development Management Team to negotiate with and monitor developments that generate Section 106 contributions, to develop and maintain a new Section 106 database and to invoice developers and to support the community in identifying their priority needs and to facilitate the participative budgeting spend process.

Recommendation

For the contents of this report to be noted

a) Reasons for Recommendation

To inform the Audit and Governance Committee of the progress made on Section 106 matters.

To ensure that the Council is operating a transparent and comprehensive framework for monitoring financial obligations.

b) Alternative Options

N/A

c) Risk Considerations

The risk associated with not monitoring legal agreements relating to planning applications is that the Council could be criticised for not operating a transparent and comprehensive framework for monitoring such financial and non-financial obligations. Without adequate co-ordination Commuted Sums could be spent on inappropriate schemes and not on priorities identified within the Council's various plans and strategies. Without an adequate and co-ordinated system for monitoring Section 106 Agreements and any subsequent Commuted Sums it is possible that should deadlines expire, Secured sums would have to be returned (plus interest) to the developers and required community facilities / affordable housing would not be provided.

d) Policy and Budgetary Considerations

The improvement of the Section 106 Agreement system forms part of the Development Control Improvement Plan adopted in September 2004 and agreed with the former Office of the Deputy Prime Minister. It also assists in delivering the

Council's priorities such as the provision of affordable housing and other community infrastructure.

e) Date for Review of Decision

N/A

1.0 Background

- 1.1 Under the present system the Council receives financial contributions from developers through the Section 106 process. Financial Services maintain income and expenditure accounts and the S106 Officer ensures, facilitates, and monitors expenditure. All spend requests come via Strategic Management Team on a simple application form identifying Ward Member support and are reported to the Asset Management Forum.
- 1.2 As the local authority, one of our key roles in this process is to identify and prioritise 'needs' within our district and to consider these alongside present and proposed developer contributions. For example, there might be a lack of play equipment in a residential area; no community hall where one is needed; or a very limited amount of affordable housing for key workers or those in housing need.
- 1.3 As part of this process, we work closely with the Town and Parish Councils and refer to the Town /Parish Plans that they have developed. Wherever possible projects will be identified and prioritised by directly involving local people including parish/town councils in making decisions on the spending and priorities for the Section 106 budget, this is via a process called Participative Budgeting.

2.0 Summary 2009/2010

- 2.1 As a member of the Development Management Team I provide an annual report to the Development Management Committee. The following extract has been taken directly from this annual report.

'In the 12 months between April 2009 and March 2010, a total of 167 new planning applications have been subject to formal Section 106 Legal Agreements or Unilateral Undertakings.

Between April 2009 and March 2010 the Council has received financial and in-kind obligations in respect of a number of previously outstanding planning agreements, including interest payments where applicable. At the end of the 2009/10 financial year the Council's Section 106 account held a balance of £1,976,663.20. At the start of the financial year it held £2,146,529.77, it has received an additional £215,001.10 during the year, whilst £ 384,867.67 has been spent.

2.2 The table below summarises the total financial contributions spent this year.

Spend Area	Project Summary	Amount
Education	Formally requested amount linked to Cedar Shade, Sidmouth	13,565.90
Colaton Raleigh PC	A contribution towards a new improved play area costing in the region of £12,000.00.	1,742.67
Honiton Bottom Play Trail	A contribution towards an existing budget of £24,000.00 to develop an Environmental Play Trail.	12,209.70
Carter Ave play area	Updating of the 'Tractor Slide' from the play area on King George V field (Carter Avenue). Total project cost £5,500.00	5,000.00
St Sevans	Refurbishment of St Sevans play area, Exmouth.	10,515.00
Norman Crescent	The development of a new play area on a designated site. Overall project cost £40,000.00	18,548.62
The Maer Play Trail	To develop an Environmental Play Area that not only interprets the local site but acts as one of the triggers to the regeneration of Exmouth.	72,800.78
Manstone bungalows	To provide 2 x 2 bedroom disable use bungalows built in Manstone Avenue Sidmouth.	160,000.00
Cornerstone Housing	12 x two and three bedroom houses off Marley Road Exmouth. These are due for completion later this year.	90,000.00
Consultation Fees	The cost of involving the community in the development of play and sports projects throughout 09/10 calendar year.	485 .00
Total		384,867.67

3.0 Response to key issues from audit

3.1 The table below summarises our response to the issues identified in the recent audit of Section 106.

Issue	<p>Calculation of Section 106 contributions</p> <p>As noted in last year's audit report, the Consultation Draft Recreational Areas Strategy 2003 is used to populate the calculator that determines Section 106 fees. There are 2 main issues with this:</p> <ul style="list-style-type: none"> • The Consultation Draft was never formally adopted by Council and its status has already been challenged at an appeal. • The figures contained in the Draft are now outdated, for example land values.
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Response	This issue has been recognised for a number of years but has been hindered due to financial constraints. This is now planned to form a part of the evidence base for the new Core Strategy and as such a timeframe and suggested resource implications have been considered by both the AMF and the O & S Committee.
Issue	Income Collection Currently, a manual system is in operation to identify and chase outstanding monies. Trigger points can be time based or based on reaching a particular stage in the development, with each agreement being different. This is a time consuming process, with the risk that certain deadlines may be erroneously overlooked and the income therefore not collected.
Response	We have obtained and adapted a copy of the Planning Advisory Service (as was) recommended model of good practice. All historical agreements have now been scanned and converted ready for input into the database. The database has a system of automated alerts for checking trigger points and in advance of when deadlines are reached, ensuring prompt collection and spend of Section 106 monies.
Issue	Expenditure of Section 106 monies All Section 106 expenditure should be supported by a 'Request to Release Section 106 Monies' which gives the detail and justification and authorisation for monies to be spent. A review of expenditure for 2009/10 revealed 2 instances out of 5 where capital expenditure had not been approved using the agreed authorisation process. These instances occurred while the Section 106 Officer was on Maternity Leave.
Response	A reminder of the authorisation process for the release of Section 106 monies has occurred.
Issue	Corporate Risk Register There are no risks listed at present on the Corporate Risk Register surrounding the collection or expenditure of Section 106 monies. There is a risk that controls to mitigate threats to these areas are not reviewed regularly to ensure they are working satisfactorily.
Response	The risks on the register have normally been of a higher level but we will therefore add a risk to the register that highlights that failure to spend these monies within the specific timetable means that infrastructure for the community will not be provided as required.
Issue	Documentation Details behind Section 106 calculations were not always retained on the planning file.

Response	Unfortunately there is little that can be done when historical files have been scanned and shredded. Anything not copied is now lost.
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4.0 In conclusion

4.1 There are recognised issues with the arrangements for negotiating, monitoring and spending Section 106 contributions at this point in time. These issues are longstanding and measures are in the process of being put in place in order to rectify them.

4.2 The existing Open Space calculator is out of date and more restrictive that it need be. We do however need to update and broaden the initial audit and replace the 2003 strategy with an adopted Policy. We unfortunately do not have all of the required skills in-house and are dependent upon accessing budgets to allow for the required skill set to be commissioned.

4.3 The nature of S106 rules mean that contributions are negotiated for a specific purpose and must be spent in accordance with this. If the contributions are not spent accordingly then they must be returned to the developer. When we ask for a contribution it is normally because there is not the ability to provide the asset on-site. Therefore the asset must be provided in close proximity to the development site in order to comply with the rules of S106.

4.4 The database has been acquired and is in the process of being populated. This takes time but once up and running will allow for alerts and prompts to the S106 Officer to ensure that triggers and spend times are not missed. The database has been adapted to allow for information to be entered down to parish level. Eventually Ward Members will be able to access information themselves via the intranet rather than having to come via the S106 Officer as is the case as present. However do note that regular information roadshows have been provided for the benefit of Parish Councils.

Legal Implications

There are no legal observations.

Financial Implications

There are no financial implications arising from the recommendation.

Consultation on Reports to the Executive

A report on the Public Open Space, Sport & Recreation Policy is due to go to the Overview & Scrutiny Committee on 18 October 2010.

Background Papers

- ❑ Corporate Property Asset Management Plan
- ❑ Circular 05/2005: Planning Obligations (ODPM, 2005)
- ❑ Planning Obligations: Practice Guidance (Department of Communities and Local Government, 2006)

Sulina Tallack x1549
Section 106 Officer

Audit & Governance Committee



Agenda Item 12

Audit and Governance Committee

20 January 2011

DP



Corporate Governance Action Plan

Summary

At its meeting in June 2010 the Committee received a Corporate Governance report which contained an action plan on matters to be addressed. This report reflects on progress made.

Recommendation

That progress in addressing issues outlined in the corporate governance action plan be reviewed.

a) Reasons for Recommendation

It is appropriate for the Committee to review the progress of actions taken to address issues previously reported.

b) Alternative Options

None considered.

c) Risk Considerations

No new risks identified.

d) Policy and Budgetary Considerations

None considered

e) Date for Review of Decision

June 2011 when the Committee will consider the 2010-11 Corporate Governance report.

1 Main Body of the Report

The Corporate Governance Action Plan was presented to the Committee in June 2010.

The matters listed, whilst not necessarily fundamental to our governance arrangements, were of sufficient concern to merit detailed scrutiny.

Action has been taken to address all of the issues identified although it is noted further consideration will be given to disaster recovery plans and business continuity. In fact this will always be an ongoing concern for the Council.

The present position is set out on the attached appendix.

Legal Implications

No legal implications need to be drawn to members' attention.

Financial Implications

None considered

Consultation on Reports to the Executive

None

Background Papers

- Appendix of corporate governance issued attached. Similar report was considered by the committee at its September meeting.

Diccon Pearce
Corporate Director

Audit and Governance Committee
20 January 2011



East Devon District Council

Report of Internal Audit Activity
2010/2011 plan update

Contents

The contacts at SWAP in connection with this report are:

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Our audit activity is split between:

- **Operational Audit**
- **Managed Audit**
- **Governance, Fraud & Corruption**

Role of Internal Audit

The Internal Audit service for East Devon District Council is provided by South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for Internal Audit. The Partnership is also guided by the Internal Audit Charter approved by the Audit and Governance Committee at its meeting on 23rd September 2010. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

- Plan of Operational Reviews
- Annual review of Key Financial System Controls (Managed Audits)
- Annual review of Key Governance and Fraud Controls.

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer, following consultation with the Corporate Management Team and External Auditors. This year's Audit Plan was reported to this Committee at its meeting on the 18th March 2010.

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

Progress Report:

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

Internal Audit Work Programme

The schedule provided at [Appendix A](#) contains a list of all audits as agreed in the Annual Audit Plan 2010/11. This allows Members to monitor the progress of all audits in the plan.

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

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

Progress Report:

Completed Audit Assignments In The Period

Operational Audits

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

Two Operational Audits carried forward from the second quarter have been completed to draft stage in this quarter, Communications and Improvements and Housing Needs. We found no significant issues to report in the Communications audit. For Housing Needs, our significant findings relate to improvements in administering the Downsizing Scheme and clarity over findings following occupancy inspections, as well as documenting clearly the checks that have been carried out at inspections. Follow up audits have been carried out for Building Control, Planning Administration, Development Management, with no significant findings to report.

We are providing assurance support for the e-procurement implementation project for commitment accounting. We will review this pilot project in ICT and also reporting capabilities within the new system to help ensure they meet user needs.

We met with the S.151 Officer and Head of Finance to agree the audit plan for the last quarter of the year. The audits that will take place are largely managed audits, as detailed below.

We also met with the Head of ICT to review the audit plan in his area. We have agreed to carry out an overarching Level 1 security audit, which will commence early in 2011-12. arching Level 1 security audit, which will commence early in 2011-12.

Managed Audits

Managed Audits are completed to assist the External Auditor in their assessment of the Council's financial control environment.

We have held initial meetings for audits in Council Tax and NNDR. The full schedule of Managed Audits for the last quarter is detailed within Appendix A.

Progress Report:

**Completed Audit
Assignments In The Period**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. We have not carried out any of these audits for the Council yet.

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

Future Planned Work

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

Conclusions

For those audits still required by the client, SWAP are on target to complete the audits as planned. For the audits completed to report stage each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the categorisation of recommendations section in [Appendix B](#).

Final reports and progress updates are given to the S.151 Officer who has a role in monitoring the implementation of recommendations made.

Client	Directorate/Service	Audit Area	Quarter	Status	Opinion	No. of recs	Recommendations					Comments
							5	4	3	2	1	
East Devon District Council	Operational Audit	Communication and Improvement	July 2010	Completed	Reasonable	0	0	0	3	4	0	
East Devon District Council	Operational Audit	Housing Needs	July 2010	Completed	Reasonable	0	0	2	3	2	0	
East Devon District Council	Operational Audit	Leisure East Devon	July 2010	Deferred		0	0	0	0	0	0	Audit deferred at client request.
East Devon District Council	Operational Audit	Customer Service Centre	October 2010	Removed		0	0	0	0	0	0	Audit deferred at client request. Replaced by Housing Needs.
East Devon District Council	Operational Audit	Building Control follow up	October 2010	Completed		0	0	0	0	0	0	
East Devon District Council	Operational Audit	Planning Administration follow up	October 2010	Completed		0	0	0	0	0	0	
East Devon District Council	Operational Audit	Development Control follow up	October 2010	Completed		0	0	0	0	0	0	
East Devon District Council	Operational Audit	Financial Assistance Grants	October 2010	Removed		0	0	0	0	0	0	Audit deferred at client request. Replaced by Communication and Improvement Audit.
East Devon District Council	Operational Audit	Countryside	October 2010	Not yet started		0	0	0	0	0	0	Will be carried out in Q4.
East Devon District Council	Operational Audit	Exeter Growth Area	October 2010	Removed		0	0	0	0	0	0	Audit deferred at client request. Replaced by Communication and Improvement Audit.
East Devon District Council	Operational Audit	Housing Rents follow up	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Operational Audit	Purchase Cards	January 2011	Combined with Creditors		0	0	0	0	0	0	This audit will be carried out as an element of the Creditors audit.
East Devon District Council	ICT Audit	Computer	October 2010	Deferred		0	0	0	0	0	0	Met the Head of Service and will carry out a Level 1 security audit in early 2011-12.

East Devon District Council	Managed Audit	Main Accounting System	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Council Tax	January 2011	In progress		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Debtors	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Income and Cashiers follow up	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Payroll	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Treasury Management	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Creditors	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	Housing and Council Tax Benefit	January 2011	Not yet started		0	0	0	0	0	0	
East Devon District Council	Managed Audit	NNDR	January 2011	In progress		0	0	0	0	0	0	

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

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

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

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

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

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

Definitions of Risk

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