

Date: 17 September 2009
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To: Members of the Audit and Corporate Governance Committee
(Councillors: David Atkins, Peter Bowden, Derek Button, Bob Buxton,
Chris Gibbings, Stephanie Jones, Ken Potter, Tim Wood)

Data Quality Champion – Councillor Graham Troman
Chief Executive
Corporate Directors
Internal Audit & Risk Manager
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**Audit and Corporate Governance Committee
Tuesday 29 September 2009,
Council Chamber at 4.30pm**

Members of the public are welcome to attend this meeting.

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

AGENDA

PART A

Page/s

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

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

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

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

2 To confirm the minutes of the meeting of the Audit & Governance Committee held on 25 June 2009.

4 - 8

3 To receive any apologies for absence.

4	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).		
5	To agree any items to be dealt with after the public (including the press) have been excluded. There is one item which Officers recommend should be dealt with in this way.		
6	Audit of Accounts 2008/09	Grant Thornton	9 - 41
7	Leisure East Devon update	Councillor David Cox	Verbal report
8	Internal Audit Activity Report for 1 July – 30 September 2009	Internal Audit & Governance Manager	42 - 57
9	Corporate Governance Activity Report for 1 July – 30 September 2009	Internal Audit & Governance Manager	58 – 71
10	Officer and Member Expenses report	Internal Audit & Governance Manager	72 – 81
11	Performance Indicators for data quality checking	Internal Audit & Governance Manager	82
12	Representation of the 2008-09 Annual Statement of Accounts and Annual Governance Statement and Associated Action Plan, incorporating revisions agreed with the External Auditors, are represented to the Committee for adoption and resigning.	Head of Finance	Accounts to follow 94 - 118
	The Vice Chairman to move the following:-		
	"that under Section 100(A) (4) of the Local Government Act 1972 the public (including the press) be excluded from the meeting as exempt information, of the description set out on the agenda, is likely to be disclosed and on balance the public interest is in discussing this item in private session (Part B)."		

PART B

13	Computer Audit Tender	Para 3 Schedule 12A Information relating to the financial or business affairs of any particular person (including the authority holding that information).	Attachment orange booklet
14	Internal Audit Tender	Para 3 Schedule 12A – as above	as above

Members please note:

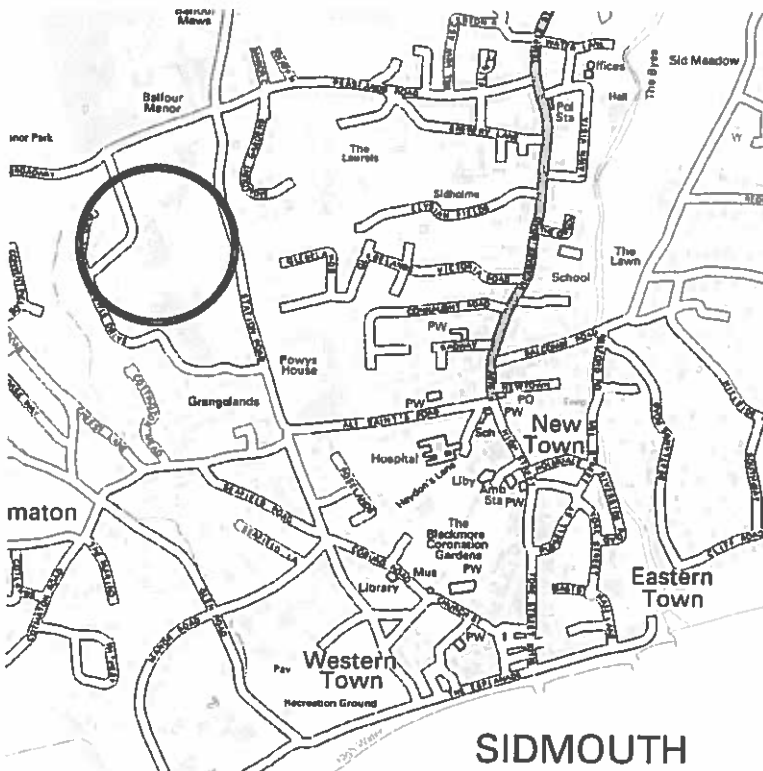
You must declare any personal or prejudicial interests in an item whenever it becomes apparent that you have an interest in the business being considered.

- Make sure you say the reason for your interest as this has to be included in the minutes.
- If your interest is prejudicial you must leave the room unless you have obtained a dispensation from the Council's Standards Committee or where Para 12(2) of the Code can be applied.

Para 12(2) allows a Member with a prejudicial interest to stay for the purpose of making representations, answering questions or giving evidence relating to the business but only at meetings where the public are also allowed to make representations. If you do remain, you must not exercise decision-making functions or seek to improperly influence the decision; you must leave the meeting room once you have made your representation.

- You also need to declare when you are subject to the party whip before the matter is discussed.

Getting to the Meeting – for the benefit of visitors



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

The following **bus service** stops outside the Council Offices on Station Road:
From Exmouth, Budleigh, Otterton and Newton Poppieford – 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 – 340 (Railway Station), 387 (Town Centre)
From Seaton – 52A, 899
From Ottery St Mary – 382, 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 Governance
Committee
held at Knowle, Sidmouth on 25 June 2009

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

Also Present: Barrie Morris Grant Thornton
Kate Jefferies
Natalie Sharp
Tanith Cox Internal Audit and Governance Manager
Simon Davey Head of Finance
Diccon Pearce Corporate Director
Mark Williams Chief Executive
Diana Vernon Democratic Services Officer

Apologies: Councillors:
David Atkins
Peter Bowden
Derek Button
Andrew Moulding – Portfolio Holder - Resources
Graham Troman – Member Champion for Data Quality

The meeting started at 3.30 pm and ended at 5.20 pm

***1 Public Questions**

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

The Chairman used this opportunity to comment on the financial pressures currently being faced by the Council and the aspiration for the Council to achieve a positive outcome from the Comprehensive Area Assessment.

***2 Minutes**

The minutes of the meeting of the Audit and Governance Committee held on 26 March 2009 were confirmed and signed as a true record, subject to Kate Jefferies name being recorded in full in the list of those in attendance.

***3 Internal audit – options for service delivery**

At its meeting of 26 March 2009 the Audit and Governance Committee approved a revised audit plan for 2009-10 in recognition of the internal audit resources available to the Council. Diccon Pearce, Corporate Director outlined the history of the service and difficulties experienced in recruiting and retaining auditors. It was necessary to address how to adequately deliver the Council's internal audit plans. The report outlined the advantages and disadvantages of the various options for the long term provision of the audit service, namely:

- to provide an internal audit service using Council employed staff,
- to appoint an external audit service provider, or
- to use a mixture of internal and external expertise.

*3 **Internal audit – options for service delivery (cont)..**

The Corporate Director advised that a review needed to be carried out to analyse what work could be carried out in-house with the available staffing resources and where additional support needed to be bought in. This review would be undertaken during the course of the year. The Council needed sufficient resources, whether in-house or from outside support to be able to deliver the audit plan. The uncertainty over outcomes of the Local Government Reorganisation in Devon and the anticipated return of the Principal Auditor from maternity leave at a future date would be taken into account when planning the service beyond the current year.

It was further proposed that, until an external supplier was appointed to undertake the core system work required the service continue to use agency staff as necessary.

RESOLVED that to supplement the limited resources of the in-house team an external provider be engaged for one year to undertake an agreed schedule of audits (to be determined through review of current in-house capacity against the requirements of the audit plan), with agency staff being appointed as necessary (subject to approval from the Chief Executive) to undertake the core work of the service until the supplier has been appointed.

*4 **Internal audit annual report for 2008/09**

Consideration was given to the annual report of the Internal Audit & Governance Manager, which summarised the work completed by the service during the 2008/09 year. Due to lack of resources, the service had concentrated on high risk areas. A limited number of medium and lower risk audits had also been completed during the year.

The Internal Audit and Governance Manager gave an overview of the report, the quality assurance of work carried out and feedback received from audit clients. The Internal Audit & Governance Manager gave a verbal report of her overall 'audit opinion' and took the Committee through each section of the report, referring specifically to the key messages. There were corporate governance, partnerships, corporate risk management, the review of data quality, probity work covered in the year, the reviews of core financial systems and other high risk audit areas. It was confirmed that high risk audits would feature in the audit plans for 2009/10, and that an exercise to review the Council's National Indicators was already well underway for the current year.

The service had also contributed to the broader 'governance' role and had introduced a number of policies, strategies and codes during the year.

Members noted the scope of the internal annual audit report and its key messages.

In discussion, the level of Leisure East Devon's (LED) General Fund was questioned. The Chief Executive advised that the £600K within the fund was an appropriate level for 3 month cover but that this amount should now, more significantly, be taken into account when the extent of the service provided and funding arrangements were being considered. The Committee felt that it would be appropriate to discuss this matter with the Council's representatives on the LED Board.

Members also noted the concerns raised in respect of housing services and were advised that this area was regarded as high risk in terms of expenditure and reputational risk and, consequently, had been included within the 2009/10 audit plan.

Members also discussed the weaknesses in respect of purchase cards which had resulted in tightened controls and procedures it was confirmed that a follow-up had been included within the 2009/10 audit plan.

***4 Internal audit annual report for 2008/09 (cont)..**

Members noted that the review of the Council's ICT Services had highlighted concerns over the accuracy and quality of data being reported to the Programme Board as well as widespread breaches to the Council's Financial Regulations and Contract Standing Orders. Recommendations made would improve the service and a follow up review would also be helpful to make sure that these had been implemented. The Chief Executive confirmed that it was appropriate to seek an interim report from ICT on the progress being made in implementing recommendations. It was suggested that the Portfolio Holder – Communications be invited to the next meeting where the concerns raised in the audit could be discussed together with an update on the remedial action being taken by the Service. Members recognised that it was the role of the Portfolio Holder to keep a watching brief on ICT systems and procedures.

- RESOLVED**
- (1) that the internal audit annual report for 2008/09 be noted,
 - (2) that the Council's nominated representatives on Leisure East Devon be invited to answer questions at the next meeting on the current service provided by LED and future direction of travel,
 - (3) that the Portfolio Holder – Communications be invited to the next meeting of the Committee to discuss the Committee's concerns in respect of the ICT systems and procedures and to confirm his understanding that actions recommended to address these concerns ~~area~~ were being implemented.

***5 Annual Governance Statement**

The Internal Audit & Governance Manager reported that the Council was required to produce an Annual Governance Statement and had used the Chartered Institute of Public Finance and Accounting/Society of Local Authority Chief Executives (CIPFA/SOLACE) Guidance Note for English Authorities "Delivering Good Governance in Local Government" as its framework for compliance.

A comprehensive review of governance arrangements had been carried out which measured the Council's performance against the Audit Commission's Corporate Governance Key Lines of Enquiry (KLoEs). The Annual Governance Statement set out the adequacy of the Council's governance arrangements and confirmed that these were operating effectively in practice, and included action planned to fill the main gaps in governance arrangements revealed by the reviews.

Barrie Morris of Grant Thornton advised that the Annual Governance Statement would form part of their assessment which would be fed back to the Committee at its September meeting. He advised that the Council had met the minimum standards and the action plan would help the Council improve.

- RESOLVED** that the annual Governance Statement (full and summary) be agreed and adopted.

***6 External audit - interim report**

Members noted the interim report produced by Grant Thornton summarising findings from the interim audit which had principally been focussed on accounts' audit responsibilities under the Code of Audit Practice. In addition the audit had included a review of the adequacy of budgetary control arrangements, the risk register, governance and counter fraud arrangements as part of the Use of Resources work. At this stage the audit was to examine the 'mechanics' of the Council, to determine what controls were in place, whether its systems were sufficiently robust and the extent to which these could be relied upon. This would form the basis of a detailed review of the Council's audit work.

*6

External audit - interim report (cont)..

Members noted the key messages to the Council contained in the report, in summary:

- ... The overall arrangements in place for the delivery of the Internal Audit programme met the minimum standard,
- ... There was no material weakness in the Council's general IT control environment which could adversely impact on the Council's financial statements.
- ... No material weaknesses had been identified through the review of the key financial systems.
- ... Arrangements for closedown and financial reporting were considered adequate for the Council to meet its statutory requirements regarding financial reporting.
- ... In respect of the action plans arising from the 2007/08 interim and final accounts audits, it was noted that some progress had been made but a significant number had not been implemented and these areas would be included within the review of the final accounts audit.

Recommendations for improvement were included in Sections 2-5 of the report; a number of significant opportunities for improvement had been identified including:

- ... the need for clear documentation and rationale for audit testing,
- ... inclusion of the Task and Finish Forum's recommendations in the action plan for improvements,
- ... Internal Audit to publish an annual report to supplement the information within the final monitoring report, and,
- ... consideration by the Council of the longer term provision of the Internal Audit Service and its advisory function.

Members were advised of 3 possible levels of audits, from a 'transaction test walk through' (where a system is documented and an individual transaction checked from the beginning to end to make sure that the controls are operating within the system), compliance testing and substantive testing. It was deemed unnecessary by the External Auditors and thought to be inappropriately costly to undertake full reviews every year if no significant problems had been identified in the previous year. The cost of each level of review reflected the extent of the audit.

Proper debate and clarification on the extent of audits required for the different functions would be useful as the Committee was currently unclear about the detail in which the various audits were carried out. It was the responsibility of the Strategic Management Team and the Audit and Governance Committee working with Internal Audit to make sure that the internal audit programme was robust enough for the organisation and to ensure confidence in its systems. The Committee appreciated the need to achieve consistent standards and that Members would benefit from a wider understanding in practice of the terminology used and the use of audit testing undertaken.

The Corporate Director explained the need to achieve a balance between controls and systems. Audit's role was to check that controls were in place and were adequate. High risk systems were checked more regularly.

Due to the current public examination of MPs' expenses, it was suggested that a review of EDDC Councillor and Officer Expenses should be undertaken as a high priority to make sure that the policy was appropriate and that adequate checks were in place.

- RESOLVED**
- (1) that the external audit interim report for 2008/09 be noted,
 - (2) that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Councillor expenses, together with feedback from the external auditors in this respect to enable Members to discuss and consider whether there should be an urgent high level internal audit of Members' expenses.

*7 **Final Statement of Accounts 2008/09**

Consideration was given to the report of the Head of Finance, up-dated at the meeting, regarding the Statement of Accounts 2008/09. The Audit and Governance Committee was required to approve the Council's Statement of Accounts prior to 30 June 2009, in order for them to be audited and published by 30 September. The Statement made comparison with the Revenue and Capital Outturn report, setting out the Council's financial position against budgets; this was considered by the Executive Board at its meeting on 10 June 2009.

The Committee appreciated the tight timescales in producing the Final Statement. The Head of Finance advised that adjustments were being made to the way in which the Final Statement was produced and it was hoped that next year the Statement would be produced for consideration at an earlier date.

The Vice Chairman felt that it would have been helpful to include an explanation about the revaluation of housing stock within the Statement as there was a significant year on year variation. The Head of Finance noted this comment and added that the revaluation was undertaken every 5 years but was reviewed annually and this was particularly relevant in the current financial climate.

In response to concerns in respect of the deficit of the pension fund, the Corporate Director confirmed that this fund was administered by Devon County Council and would be reviewed in March 2010. This Council would then be advised of its required contribution rate to meet its liabilities. Members recognised the on-going consequences of having a final salary pension scheme and that the matter should possibly be reviewed in the light of future deficit.

Members noted the details of debtors at Note 22 in the document. There had been a significant increase in benefits payments. The figures included bad and doubtful debt provision which was currently under review.

Following detailed examination and scrutiny by the Committee, the unaudited Statement of Accounts for 2008/09, was approved. Audited accounts would be published by 30 September following the audit of the accounts by Grant Thornton.

RESOLVED that, subject to audit, the Statement of Accounts for the financial year ending 31 March 2009 be approved.

Chairman Date



East Devon District Council

Audit of Accounts 2008-09

Annual Report to those Charged with Governance

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To the Audit and Governance Committee of East Devon Borough Council

The purpose of this memorandum is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ended 31 March 2009. It is also used to report to those charged with governance to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

In addition, we have a number of statutory responsibilities under the Code of Audit Practice, which we report in this document. Most significantly, our responsibility to provide an opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of Resources.

We take responsibility for this memorandum, which has been prepared on the basis of the limitations set out at Appendix C.

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

Grant Thornton UK LLP

Bristol

www.grantthornton.co.uk

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1 Executive summary

1.1 Status of audit

We were presented with the draft statement of accounts on 25 June 2009. We have performed our final accounts audit in accordance with the Audit Commission's Code of Audit Practice and applicable auditing standards.

Our audit is substantially complete although we are finalising our procedures in a number of areas. These are set out in Section 2.

We do not anticipate that the completion of our work in these areas will give rise to any material adjustments.

The appointed day for electors to ask the auditor questions on the accounts this year was 10 August 2009. There were no electors that exercised their right to ask us any questions in respect of the 2008-09 accounts.

1.2 Overall conclusion

The Council presented its accounts by the 30 June 2009 deadline and they were approved by the Audit and Governance Committee on 25 June 2009.

The key matters arising from the audit are set out below. The Audit and Governance Committee should formally consider the matters set out in the table below and determine whether it agrees with the treatment adopted in the accounts.

Key matters

Reclassification of earmarked reserves to general fund balance

Two earmarked reserves with a total value of £3.190m have been reclassified to the general fund balance because they do not meet the recognition criteria required for an earmarked reserve.

Statement of movement on general fund balance

A number of adjustments have been processed impacting on the statement of movement on the general fund balance.

Loans made by the Council

The deficit for the year has been reduced by £0.250m due to the incorrect treatment of a loan made by the Council, accounted for as expenditure rather than a debtor.

We commend the Council for their overall improvement in the accounts preparation process. Whilst a number of amendments have been identified, the Council has made good progress to improve the accuracy of their accounts, and to ensure that these amendments have been processed in 2008-09. We will continue to work with the Council to continue this progress.

Full details of the above matters and other significant issues are set out in Section 3. We also provide an action plan at Appendix B, that summarises the key recommendations arising from our audit of the Council's accounts.

1.3 Statement of accounts opinion

We anticipate providing an unqualified opinion on the Council's financial statements, following the acceptance of this report by the Audit and Governance Committee on the 24 September 2009 and the subsequent re-adoption of the Council's accounts.

1.4 Use of resources conclusion

As well as providing our opinion on the financial statements, we are required to reach a conclusion on the adequacy of the Council's arrangements for ensuring economy, efficiency and effectiveness in its use of resources. This conclusion is informed by our work on the Council's use of resources.

The outcome of our use of resources work will be reported in full in a separate report to the Council at the next Audit and Governance Committee. However, in section 3.6 we have reported the results of our assessment which are subject to final confirmation, that show that the Council has adequate management arrangements in place for all areas with the exception of managing risks and maintaining a sound system of internal control. We anticipate issuing an unqualified 'except for' use of resources conclusion, at the same time as we issue the accounts opinion.

1.5 Next steps

The Audit and Governance Committee is required to approve the annual accounts of the Council for the year ended 2008-09. In forming its conclusions the Committee is required to assess unadjusted items detailed at Appendix A and form a conclusion on the appropriateness of their exclusion from the accounts.

We are required to provide an audit opinion on the consolidation pack that is to be completed as part of the Whole of Government Accounts. This work is not covered by our opinion on the Council's accounts. We will complete this work once the accounts audit has been finalised and in time for the 1 October 2009 deadline.

2 Key audit issues

2.1 Matters identified at the planning stage

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to the Audit and Governance Committee in our Annual Audit Plan on 26 June 2008.

Status of audit

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

- receipt and review of the revised cash flow statement;
- agreement of the correct disclosure of members allowances in relation to two members;
- completion of our review procedures;
- review the final version of accounts;
- obtaining and reviewing the Council's letter of representation; and
- updating our post balance sheet events review up to the date of signing of the accounts.

2.2 Matters identified at the planning stage

Issue	Auditor response
<p>2008 Statement of Recommended Practice</p> <p>The 2008 SORP is currently under consultation and it is expected that there will be some presentation and disclosure adjustments that will impact on the 2008-09 accounts. There is a risk that the new requirements may not be met.</p>	<p>The SORP changes have been considered as part of the audit work and the majority have been reflected within the accounts. However the disclosure of area based grant was incorrectly included within net cost of services, this has been corrected by management.</p>

Issue	Auditor response
<p>Introduction of International financial Reporting Standards (IFRS)</p> <p>CIPFA have confirmed that local authorities will be required to follow IFRS for the financial period 2010-11. Therefore, comparative information from 1 April 2009 will require restatement. Whilst this will not have a direct impact on our audit of the 2008-09 accounts, the Council should ensure that plans are implemented to prepare for forthcoming developments.</p> <p>There is a risk that the Council will not identify the future impact of these requirements on their medium term financial plans.</p>	<p>We have had discussions with the finance team around the introduction of IFRS, specifically with regard to finance leases and holiday pay accruals. We will continue to work with the Council's finance team to ensure that accounting issues that might impact adversely on Council's finances are identified and potential solutions developed as early as possible before the introduction of the new standards.</p>
<p>Delivery of the Internal Audit Plan</p> <p>The Audit and Governance Committee have agreed an Internal Audit plan for 2008-09. Following our review of the Internal Audit service in 2007-08 we have concerns that there is sufficient capacity to effectively deliver this Internal Audit plan, and be able to gain sufficient assurance for our opinion work.</p> <p>There is a risk that an adequate Internal Audit service is not maintained during 2008-09.</p>	<p>As part of our interim audit, we reviewed the Internal Audit service against the CIPFA Internal Audit standards.</p> <p>As a result of this work, we made a number of recommendations regarding the delivery of the Internal Audit service, which we reported to the Audit and Governance Committee on 25 June 2009 in our interim report.</p>
<p>Debt free status</p> <p>Members have approved the Council to borrow for the first time. This funding was not required in 2007-08 and funding from revenue may now be available in 2008-09 instead of borrowing.</p> <p>However if the borrowing is required in 2008-09, there is a risk the Council does not comply with the Prudential Code, or correctly account for the borrowings and related disclosures.</p> <p>In addition, the Council would need to ensure that they prudently provide for the minimum revenue provision (MRP), at a rate equal to the depreciation of any assets purchased with the borrowings, if this exceeds the nominal 4%.</p>	<p>This risk did not materialise in 2008-09 because the Council has remained debt free to date. Funding from revenue and reserves was available to finance the Council's expenditure for the year.</p>

Issue	Auditor response
<p>Change to the asset management system</p> <p>During 2008-09 the Council plans to change their asset management records, to record all assets on one system.</p> <p>There are a number of related risks that this poses:</p> <ul style="list-style-type: none"> • financial and asset information is not correctly transferred to the new system; • financial information is not correctly transferred from asset management system into the ledger; and • financial information from the asset management system is not correctly included in the accounts. <p>There is also a risk that this may impact on the housing grants, resulting in amendments or qualification to those grants.</p>	<p>The migration of the asset management records into a single system is still in process. We have not identified any errors in fixed assets in relation to the risk identified, while performing our audit procedures.</p> <p>We will assess the control environment for preparing housing grants as part of our certification of the housing grants and subsidies, which we will report to the Audit and Governance Committee in our grants report, on completion of the work.</p>

2.3 Other key considerations arising from the audit

In addition to the issues that we identified at the planning stage, there have been a number of other areas that have come to attention, either as a result of national developments or from our specific work at the Council, that we have considered as part of our audit. These are detailed below.

Issue	Auditor response
<p>Members allowances</p>	<p>As a part of our audit we reviewed the arrangements for members expenses.</p> <p>We identified that adequate controls were only in place for part of the financial year and that for earlier part of the year, not all members expense claims were approved. Internal Audit reported this weakness to management and these control deficiencies have now been rectified. We consider the controls now in place to be adequate.</p> <p>Following the recent commentary around the arrangements for MPs expenses, the Council has not formally reviewed their members expenses policy or and considered whether it requires revision. We have made a recommendation in relation to this in Appendix B.</p>

Issue	Auditor response
Treasury management	We performed a review of the Council's treasury management as a part of our audit. The treasury management policy was reviewed and revised in February 2009. The main change relates to authorisation limits for external debt. We have concluded that the Council's arrangements are adequate.

3 Detailed findings

3.1 Audit opinion

We expect to issue an unqualified audit opinion on the Council's financial statements. This is subject to the approval of the financial statements by the Audit and Governance Committee on 24 September 2009.

3.2 Audit of the accounts

A number of accounting issues were identified during the course of our audit which are considered material to the reported financial position and they should therefore be considered by the Audit and Governance Committee prior to their approval of the financial statements.

The key issues for attention are set out below.

Treatment of earmarked reserves

In the draft accounts, the total brought forward general reserve balance of £12.211m had been transferred to earmarked reserves. These earmarked reserves were approved by the Executive Board in June 2009 for specific purposes. However, our review has identified that the following earmarked reserves do not meet the accounting criteria set out by CIPFA in LAAP bulletin 77 to set aside funds as earmarked:

- investment shortfall reserve of £673,000; and
- transformation fund (general reserve) of £2,517,000.

As these reserves do not meet the criteria to be treated as an earmarked reserve, the balances are required to be transferred into the general fund balance. This has the effect of increasing the carried forward general fund balance by £3.190m. The Council have amended the accounts to reflect this reclassification. This does not however prohibit the Council spending these funds in line with the plans approved by the Executive Board.

We will continue to review the Council's arrangements for identifying and utilising earmarked funds to ensure that appropriate accounting standards and guidance is adhered to. In particular, we will consider the planned utilisation of earmarked reserves to ensure that these have been properly approved and utilised in accordance with approved plans and timescales.

General fund balance

The general fund balance carried forward is £7.494m. The Council's policy regarding this balance is that it should be 7.5% of the net revenue budget, there is no maximum although the amount by which the balance is over the minimum is reviewed by the Executive Board when the outturn position is reported in June each year. The balance in this reserve compared to the policy and to the council tax demand is as follows.

- As a percentage of council tax in 2008-09, the general fund balance held at 31 March 2009, was 91%.
- As a percentage of net cost of services (after removal of the impairment due to fall in market prices) in 2008-09, the general fund balance at 31 March 2009 was 38%.

The draft general fund balance was adjusted for a transfer of £3.190m from earmarked reserves as detailed above. Of these amounts, £0.673m relates to a shortfall in investment income predicted in 2009-10, and £1.500m has been approved as 2009-10 expenditure. If these amounts were removed from the general fund balance, the carried forward position would be £5.304m.

- As a percentage of council tax demand for 2008-09, the general fund balance would have been 65%.
- As a percentage of net cost of services (after removal of the impairment due to fall in market prices) for 2008-09, the general fund balance would have been 27%.

The opportunity costs of holding this high balance was considered by the Executive Board in June 2009.

Statement of movement on the general fund balance (SMGFB)

A number of adjustments have been identified as part of the out audit testing, which impact on the SMGFB and the reconciliation of the movement in the general fund. The impact of these adjustments is to increase the general fund balance carried forward by £3.190m and to increase the net additional amount to be deducted from the I&E deficit for the year, by £3.948m. The total amendment is made up of the following adjustments.

- Depreciation and impairment of fixed assets (amount included in the I&E but required to be excluded when determining the general fund balance) - in the draft accounts, this amount incorrectly included the major repairs allowance of £2,461,000 which is required by the SORP to be deducted from this charge.
- Revenue expenditure funded from capital under statute (amount included in the I&E but required to be excluded when determining the general fund balance) - the draft accounts included an amount of £250,000 relating to the loan made to another organisation, which had been incorrectly treated as expenditure rather than a debtor.
- Capital expenditure charged in-year to the general fund balance (amount not included in the I&E but required to be included when determining the general fund balance) - a contra amount to the depreciation above, included in the draft accounts, included the major repairs allowance of £2,461,000 in error. The major repairs allowance should not be included as funded from the general fund, because it is funded from

the housing revenue account.

- Reclassification of reserves - £998,000 was included on the face of the SMGFB as a reclassification of reserves, including an additional line in this statement. This amount should be treated as a net transfer from earmarked reserves and included in the reconciliation rather than on the face of the SMGFB, within the transfer from earmarked reserves. This has the effect of increasing the net transfer from earmarked reserves by £998,000.
- Net transfer from earmarked reserves - an increase in the transfer of earmarked reserves of £3,190,000, as a result of the reclassification of earmarked reserves to the general fund balance as detailed above.

The Council have amended the accounts to reflect these changes.

Loans made by the Council

Loans made by the Council to other organisations should be accounted for as debtors until the repayments are received, and the reserve entry should be made to the capital adjustment account. Our audit work identified two errors in relation to the treatment of loans made by the Council, which are set out below.

- Historically the reserve entry for loans made has been posted to the deferred capital receipts reserve rather than the capital adjustment account. The total balance was £187,000.
- In 2008-09 a loan was made for £250,000, which had been incorrectly treated as expenditure rather than a debtor, overstating expenditure in the income and expenditure account.

The Council have amended the accounts to reflect the correct accounting treatment, as set out in appendix A.

FRS 17 liability

In order to obtain pension asset valuations from the actuary for inclusion in the draft accounts, council's frequently use data to the end of February with estimated costs for March. It is normal for the final asset values to be different to the estimated figures, and these final figures are received during the course of the audit.

The actuary has confirmed that the audited net asset of the Devon pension fund as at 31 March 2009 were £1,783m. However the assumed value of assets used by the actuary in the FRS 17 report to the scheduled admitted bodies was £1,768m. There has therefore been an underestimation of £14.700m. East Devon's share of this difference has been calculated as £358,000 using the actuarial calculation of the percentage share of the assets.

Cash flow statement

We identified a number of errors within the cash flow statement and related notes in the draft accounts, where the figures prepared did not meet the requirements in the SORP or the relevant financial reporting

standard. The Council is preparing a revised cash flow statement and related notes for inclusion in the final version of the accounts.

Misclassifications

In addition to the issues set out in detail above, our audit identified a number of other amendments and changes to disclosure notes that have been discussed with management. The most significant issues are set out below.

- Receipts in advance of £2,054,000 relating to housing rents, council tax and NNDR have been misclassified as creditors, rather than included with other receipts in advance. To correct this the Council have combined creditors and receipts in advance into one category on the balance sheet.
- Receipts in advance and debtors have both been overstated by £537,000, as a result of income for 2009-10 services being accounted for in 2008-09 and then reversed through the balance sheet.
- All HRA fixed assets were included in the Council Dwellings category in the fixed asset note. This category should only include council dwellings, and therefore HRA assets which are not council dwellings of £8,788,000 should be classified under the appropriate fixed asset category.

Where appropriate, we have made recommendations to improve arrangements as set out in the action plan at Appendix B of this report. We have discussed these and other matters arising with the finance team and formal management responses are included in the action plan.

3.3 Misstatements

All of the adjusted misstatements are set out at Appendix A. The net impact on the income and expenditure account as a result of the adjusted misstatements is to decrease the deficit by £0.250m, this has no impact on the general fund balance because it is reserved in the SMGFB. The aggregate impact of the adjusted misstatements on the carried forward general fund balance is an increase of £3.190m.

The unadjusted misstatements are also set out in Appendix A. The aggregate impact of unadjusted misstatements, were they to be processed, would result in a £358,000 decrease in the deficit in the income and expenditure account. We require the Audit Committee's confirmation, as those charged with governance, that they are satisfied that these amendments should not be processed.

The Audit Committee should discuss the matters noted above and consider the managements' decision not to adjust or disclose the misstatement in Appendix A, or it require the changes to be made.

3.4 Improvements in disclosure notes

Our review identified that the various disclosure notes in the financial statements could be improved to aid understanding and clarity of the financial statements. These are detailed on Appendix A.

3.5 Annual Governance Statement (AGS)

We have reviewed the Council's arrangements and process for compiling the AGS. In addition, we read the AGS and consider whether the statement is consistent with our knowledge of the Council. Our review has identified a number of areas in the statement where enhancements around the internal control weaknesses have been recommended to ensure that the statement provides a balanced and fair reflection of the Council's internal control environment. These enhancements are all within the action plan, and are set out below:

- enhancement in the disclosure of risk management;
- inclusion of an area for improvement in relation to performance indicators, required following completion of the internal audit report in this area; and
- re-inclusion of the area for improvement in relation to licensing administration, because the 2007-08 AGS action plan shows this weakness has not yet been addressed.

The proposed adjustments have been agreed with the Head of Internal Audit and Corporate Director and processed in the final AGS.

3.6 Use of resources

We are required to consider how well the Council is managing and using its resources to deliver value for money and better and sustainable outcomes for local people, and give a scored use of resources judgement. We are also required to conclude whether the Council put in place adequate corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money (VFM) conclusion.

In forming our scored use of resources judgements, we have used the methodology set out in the use of resources framework. Judgements have been made for each key line of enquiry (KLOE) using the Audit Commission's current four point scale from one to four, with four being the highest. Level one represents failure to meet the minimum requirements. We have also taken into account, where appropriate, findings from previous use of resources assessments (updating these for any changes or improvements) and any other relevant audit work.

From 2008-09, the use of resources assessment is more demanding than previous assessments. The KLOE are more broadly based than previously and embrace wider resource issues such as workforce planning and the use of natural resources. The KLOE focus more on value for money achievements, outputs and outcomes rather than on processes. As part of the continuing drive to improve standards the scoring arrangements have been adjusted so that to attain level two the council must show that it has arrangements that are consistent with established professional practice and guidance, meet statutory requirements and operate effectively.

To achieve a level three, councils now need to demonstrate a higher standard of performance which includes the following:

- operating consistently above minimum requirements;
- demonstrating a forward-looking and pro-active approach;
- evidencing outputs and outcomes which demonstrate impact; and
- effective partnership working.

This is a significant challenge and it follows that 2008-09 use of resources scores are not directly comparable with those for the previous year. The Council's 2008-09 use of resources theme scores are shown below. The key findings and conclusions for the three themes, and the underlying KLOE, will be reported separately at the next Audit and Governance Committee. These scores are subject to national quality assurance review by the Audit Commission and, as such, they are provisional at this stage. We have included them for information but they should not be shared more widely until we have confirmed the final assessment.

Theme	Provisional score
Managing finances	(2)
1.1 Planning for financial health	2
1.2 Understanding costs and achieving efficiencies	2
1.3 Financial reporting	2
Governing the business	(2)
2.1 Commissioning and procurement	2
2.2 Use of information	2
2.3 Good governance	2
2.4 Risk management and internal control	1
Managing resources	(2)
3.1 Natural resources	n/a *
3.2 Strategic asset management	n/a *
3.3 Workforce	2

Underlying principles of performance:
 Level 1 - performs inadequately
 Level 2 - performs adequately
 Level 3 - performs well
 Level 4 - performs excellently

* Note that in 2008-09 natural resources and strategic asset management are not included within the use of resources assessment and therefore do not inform the use of resources conclusion.

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

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

Based on the work carried out to date, supported by local use of resources work, we propose to issue a qualified Use of Resources conclusion.

A Adjustments to the financial statements

Adjusted misstatements

Detail	Accounting statement affected	Impact in the accounts
<p>Earmarked reserves Earmarked reserves of £3.19m required to be reclassified as general fund balance because they do not meet the requirements of an earmarked reserve.</p>	<p>Balance sheet</p>	<p>Decrease earmarked reserves by £3,190,000. Increase the general fund balance by £3,190,000.</p>

Detail	Accounting statement affected	Impact in the accounts
<p>SMGFB</p> <p>A number of adjustments have been made to the Statement of Movement in the General Fund and the corresponding reconciliation.</p>	<p>SMGFB</p>	<p>Decrease depreciation and impairment of fixed assets by £2,461,000.</p> <p>Decrease capital expenditure changed in-year to the general fund balance by £2,461,000.</p> <p>Increase transfer from earmarked reserves by:</p> <ul style="list-style-type: none"> • £988,000 incorrectly included as reclassification of reserves; and • £3,190,000 due to reclassification of earmarked reserves to general fund. <p>The net impact of these adjustments is to increase the general fund balance carried forward by £3,190,000.</p>
<p>Historic treatment of loans made by the Council</p> <p>Historically the reserve entry for loans made has been posted to the deferred capital receipts reserve rather than the capital adjustment account. The total balance was £187,000.</p>	<p>Balance sheet</p>	<p>Increase capital adjustment account by £187,000.</p> <p>Decrease deferred capital receipts by £187,000.</p>
<p>Treatment of a loan made in the year</p> <p>A loan made in the year for £250,000 was incorrectly treated as expenditure and 'revenue funded from capital under statute', when it should have been treated as a long term debtor because the recipient will be required to repay the loan in the future.</p>	<p>Income and expenditure account, SMGFB and balance sheet</p>	<p>Increase long term debtors by £250,000.</p> <p>Decrease expenditure by £250,000.</p> <p>Decrease revenue funded by capital under statute of £250,000.</p> <p>No net impact on the general fund balance carried forward.</p>

Detail	Accounting statement affected	Impact in the accounts
<p>Bank and cash An omitted bank account was identified with a total balance of £83,392.72. This included cash receipts which had been presented as debtors.</p>	<p>Balance sheet</p>	<p>Increase cash by £83,000. Decrease debtors by £83,000.</p>
<p>Creditor misclassification Receipts in advance of £2,054,000 relating to housing rents, council tax and NNDR have been misclassified as creditors, rather than included with other receipts in advance.</p>	<p>Balance sheet</p>	<p>Decrease creditors by £2,054,000. Increase receipts in advance by £2,054,000. To correct this the Council have combined creditors and receipts in advance into one category on the balance sheet.</p>
<p>Receipts in advance and debtors Receipts in advance and debtors have both been overstated by £537,000, as a result of income for 2009-10 services being accounted for in 2008-09 and then reversed through the balance sheet.</p>	<p>Balance sheet</p>	<p>Decrease debtors (debits for Council services provided) by £537,000. Decrease receipts in advance by £537,000.</p>
<p>Government grants deferred amortisation The supporting working paper for the amortisation of government grants deferred contained an error, resulting in an overstatement of amortisation of government grants deferred and an understatement of this balance.</p>	<p>Income and expenditure account, SMGFB and balance sheet</p>	<p>Decrease recreation and sport income by £26,000. Decrease government grants deferred amortisation matching depreciation by £26,000. Increase government grants deferred by £26,000. Increase capital adjustment account by £26,000. No net impact on the general fund balance carried forward.</p>

Detail	Accounting statement affected	Impact in the accounts
<p>Contribution to revenue funding The Council received a contribution which can be used for revenue funding, but this was coded to a capital account in 2007-08 when received. This has been spent on a revenue item in 2008-09.</p>	<p>Income and expenditure account and SMGFB</p>	<p>Increase recreation and sport income by £59,000. Decrease transfer from earmarked reserves by £59,000. No net impact on the general fund balance carried forward.</p>
<p>Interest payable Interest payable has been incorrectly net off the interest receivable in the income and expenditure account. Interest payable should be shown separately.</p>	<p>Income and expenditure account</p>	<p>Decrease interest receivable by £22,000. Increase interest payable by £22,000.</p>
<p>Area based grant The area based grant of £23,000 was included in environmental services within net cost of services in the income and expenditure account. In accordance with the SORP this is required to be disclosed as a separate line below net operating expenditure in the income and expenditure account.</p>	<p>Income and expenditure account</p>	<p>Decrease in environmental services income and therefore increase in net cost of services of £23,000. Increase of area based grant below net operating expenditure of £23,000.</p>
<p>Reclassification on non council dwelling HRA assets HRA assets which are not council dwellings of £8,788m should be classified under the appropriate fixed asset category.</p>	<p>Balance Sheet and related disclosure notes</p>	<p>Decrease council dwellings by £8,788,000. Increase other land and buildings by £8,413,000. Increase plant and equipment by £375,000.</p>

Detail	Accounting statement affected	Impact in the accounts
<p>Cash flow statement</p> <p>We identified a number of errors within the cash flow statement and related notes, where the figures prepared did not meet the requirements in the SORP or the relevant financial reporting standard.</p>	<p>Cash flow statement</p>	<p>Various changes of figures disclosed in the cash flow statement and related notes to be consistent with the requirements of the SORP and FRS1 on cash flow statements.</p>

The net impact on the income and expenditure account as a result of the adjusted misstatements is to decrease the deficit by £0.250m, this has no impact on the general fund balance because it is reserved in the SMGFB.

The aggregate impact of the adjusted misstatements on the carried forward general fund balance is an increase of £3.190m, and a corresponding decrease in earmarked reserves of the same amount.

Unadjusted misstatements

Detail	Accounting statement affected	Impact in the accounts
<p>FRS 17 Net assets of the pension fund has been understated by £358,000, due to use of estimated figures in the accounts.</p>	<p>Income and expenditure account and balance sheet</p>	<p>Decreasing the pension liability by £358,000. Decreasing the pensions costs by £358,000.</p>

The overall impact of unadjusted misstatements would be to decrease the deficit in the income and expenditure account by £0.358m.

Disclosure adjustments

Our review identified that the financial statements had a number of areas where the disclosure notes could be improved.

Area	Commentary
Government grants and contributions, both applied and unapplied	The notes relating to these liabilities should be updated to clearly show the brought forward and carried forward position and the movements in the year on the accounts, to improve clarity for the user.
Financial instruments	The financial instruments note should be updated to improve understanding and to fully comply with the financial instruments financial reporting standards.
FRS17 pensions	The pensions disclosure note should be updated to reflect the position of funded and unfunded liabilities separately.

B Action plan

	Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
1	Medium	<p>Bank and cash</p> <p>A bank account has been omitted from the accounts.</p> <p>As a result the cash balance has been understated and debtor balance overstated. There is also a risk that the bank accounts includes cash receipts which have not been included in debtors and therefore that income is understated.</p>	<p>The Council should ensure that the Alliance and Leicester bank accounts are included within the Council's year end bank balance, and that the cash is allocated out across the relevant debtor categories in the balance sheet.</p>	<p>Agree, will be implemented for Statement of Accounts 2009-10.</p> <p>Head of Finance</p> <p>Statement of accounts production 2009-10</p>

Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
2 Low	<p>Uncashed cheques</p> <p>We recommended in our 2007-08 ISA260 report, that uncashed cheques older six months should be cancelled.</p> <p>At this year end a total of 85 cheques over six months old had not been cancelled, with a total value of £10,528.39. We understand the finance team were asked by the council tax department to delay cancelling these cheques whilst a reconciliation was performed.</p> <p>At the start of September, there were 28 cheques dated February and earlier, with a total value of £1,520.</p> <p>There is a risk that out of date cheques are cashed fraudulently.</p>	<p>The Council should continue to ensure that un-presented cheques are reviewed, and that all cheques older than six months are cancelled and reissued, as appropriate.</p>	<p>Agree, will continue with this. Head of Finance Ongoing</p>

	Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
3	Medium	<p>Bad debt provision</p> <p>The Council has made good progress towards implementing our recommendation in 2007-08 in relation to the bad debt provision. However our review of the calculation for 2008-09 found that clear evidence to support historic collection rates for general debtors, housing benefit debtors and housing rents was not available.</p> <p>There is a risk that the calculation is not accurate and does not comply with the SORP.</p>	<p>The Council should ensure that supporting documentation is available to support the historic collection rates for general debtors, housing benefit debtors and housing rents.</p>	<p>Agree, need to contact managers concerned and ensure documented appropriately for 2009-10 statement of accounts.</p> <p>Head of Finance</p> <p>Statement of accounts production 2009-10</p>
4	Low	<p>Creditor misclassification</p> <p>Receipts in advance of £2,054,000 relating to housing rents, council tax and NNDR have been misclassified as creditors, rather than included with other receipts in advance.</p>	<p>The Council should ensure that it distinguishes between receipts in advance and creditors, and classifies both appropriately.</p>	<p>Agree, this been corrected in the 2008-09 accounts.</p> <p>Head of Finance</p>

Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
5 Medium	<p>Cash flow statement We identified a number of errors within the cash flow statement and related notes, where the figures prepared did not meet the requirements in the SORP or the relevant financial reporting standard.</p>	<p>The Council should ensure that figures disclosed in the cash flow statement and related notes are consistent with the requirements of the SORP and FRS1 on cash flow statements.</p>	<p>Agree, this will be implemented in the 2008-09 accounts. Head of Finance September 2009</p>
6 Medium	<p>Accounts disclosures Our audit work identified that the financial statements had a number of areas where the disclosure notes could be improved to ensure compliance with the SORP.</p>	<p>The Council could improve the disclosures in the accounts and compliance with the SORP by enhancing:</p> <ul style="list-style-type: none"> • government grants and contributions disclosure; • financial instrument disclosure; and • FRS17 disclosure. 	<p>Agree, we will work with external audit during 2009-10 to improve the presentation of accounts disclosures. Head of Finance Statement of accounts production 2009-10</p>

Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
7 High	<p>Members expenses</p> <p>Following the recent MP expenses scandal, the Council has not formally reviewed their members expenses policy, and considered whether it requires revision. Compliance with the Council's policy has been reviewed by Internal Audit in 2008-09, and the recommendations made have been implemented.</p> <p>There remains a risk that members are paid inappropriate expenses and that the Council may be exposed to negative media if the policy is not considered to be appropriate.</p>	<p>The Council should formally review their members expenses policy in light of the recent MP expenses scandal and consider whether it requires revision.</p>	<p>The Councillors' expenses are currently checked on receipt by a Democratic Services Officer who compares the submission against the Members' Scheme of Allowances, record of attendance at meetings etc and will refer claims back to Members where clarification is needed. Further changes to procedure will be made to comply with the recommendations of the Audit and Governance Committee as a result of the reviews carried out by internal and external audit. The Democratic Services Manager will be responsible for ensuring that these new procedures are introduced and for compliance immediately after the recommendations of the audit have been approved.</p> <p>Guidance is sought from the Audit & Governance Committee if they feel a review of the Policy is required.</p> <p>Democratic Services Manager</p>

Auditor's report to those charged with Governance 2008-09

Priority	Issue and risk	Recommendation	Management response, responsible officer and implementation date
8 Medium	<p>Declarations of interest At the time of writing our report, two declarations of interest in relation to two members had not been received by the Council.</p> <p>There is a risk that there are member interests which are not reflected appropriately in the accounts.</p>	<p>The Council should ensure all declarations of interest are obtained before the draft accounts are presented to the Audit and Governance Committee in June each year.</p>	<p>Agree, implementation for 2009-10 Accounts. Head of Finance and Chair of the Audit & Governance Committee Statement of accounts production 2009-10</p>

C Reporting requirements of ISA 260

Introduction

Together with the Audit Commission's Code of Audit, this section sets out the basis on which we have undertaken your audit.

Purpose of memorandum

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP (us/we) and the Audit and Governance Committee East Devon District Council ('the Council'). The purpose of this report is to highlight the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2009.

The document is used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) (ISAUK) 260, and to report audit findings to "those charged with governance", designated as the Audit and Governance Committee.

The Council is responsible for the preparation of financial statements which records its financial position as at 31 March 2009 and its income and expenditure for the year then ended. We as auditors are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements represent a true and fair view of the financial position.

Under the Audit Commission's Code of Audit Practice ('the Code') we are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. To reach this conclusion we have carried out the Use of Resources assessment using criteria prescribed by the Audit Commission. This work also informs our Use of Resources opinion.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the Council.

Responsibilities of the Council and auditors

The Council is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the Council confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected

This report is made solely to the Members of the Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission. To the fullest extent permitted by law, Grant Thornton UK LLP does not accept or assume responsibility to anyone other than the Council or its Members as a body, for its audit work, for this report, or for the opinions it has formed.

Clarification of roles and responsibilities with respect to internal controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit and Governance Committee that it has done so.

The Audit and Governance Committee is required to review the Council's internal financial controls. In addition, the Audit and Governance Committee is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

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

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the Audit and Governance Committee.

Independence and robustness

We are independently appointed by the Audit Commission, and have been assessed as complying with its quality standards. In addition, ethical standards require us to give you full and fair disclosure of matters relating to our independence

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

In accordance with best practice, we analyse our fees below.

	£
Audit of accounts	62,500
Use of resources	39,400
Certification of grants and claims	26,000
All other services (Paid to the Audit Commission)	5,972



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Agenda Item 8

Audit and Governance Committee

29 September 2009

TC



Internal Audit activity report for the period 1 July 2009 to 30 September 2009, including:

- **Audit Plan Monitoring to 30 September 2009**
- **Audit Report Executive Summaries**

The attached Activity Report gives brief details on the staffing situation within the council's Audit and Governance section and gives an overview of the use of temporary contractors.

The report also highlights Internal Audit activity for the second quarter and indicates where audits are progressing well and identifies those that have slipped against the internal audit plan. Members will note the progress made and also be informed of the audits that remain outstanding and those that have been rolled over into future years.

Recommendations

Members are asked to note and keep under review the:

- **Audit Plan Monitoring Document**
- **Audit Performance Indicators**
- **Internal Audit Report Executive Summaries**

a) Reasons for Recommendation

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

b) Alternative Options

None

c) Risk Considerations

- The responsibilities of the Section 151 Officer will not be fulfilled
- Weaknesses in internal controls, potential fraud and irregularities may go undetected
- Criticism from External Audit and other external review agencies
- Adverse impact on the Council's Governance Arrangements

d) Policy and Budgetary Considerations

None

e) Date for Review of Decision

N/a

Main Body of the Report

Audit Staffing

The Service has managed to attract and retain two external contractors (audit consultants). One to complete the review of the Council's Performance Indicators; is a long-term and loyal contractor returning year on year when required to complete this work (together with one or two other assignments). This contract ended at the end of July. The other Contractor lives fairly locally and

has proved to be both competent and an asset to the Service, he is being retained until the return of the Principal Auditor in 2010. The Service has managed to retain the one remaining Trainee Auditor.

Audit Activity

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

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

Interpretation:

First Quarter – April to June 2008

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

All work has been completed for this quarter, one audit remains at 'draft report' stage until the return of audit staff from annual leave in late September.

Second Quarter – July to September 2008

The second quarter consists of a mix of more complex audits, such as Procurement and Contract Audit. The team has made good progress on completing this quarters' work. Three audits remain outstanding (although all have been commenced and are at differing stages of completion).

Unplanned and Ad-hoc Audit Work

At its meeting on the 25th June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined – the report is due to be discussed at this meeting. There has been no other unplanned or ad-hoc audit work other than the usual advice to staff and managers on council policy, financial regulations and contract standing orders (usually provided by the Manager).

Audit Performance Indicators

- **Percentage of planned audits commenced (two quarters) – 100%**
- **Percentage of planned audits completed (two quarters) – 66%**
- **Percentage of feedback responses at least 'satisfactory'**

Name of Audit	Feedback received	Satisfactory
Home Safeguard	Yes	✓
Housing Needs	Audit not finalised	
NIs and BVPs	Yes	✓
Street Scene	Yes	✓
Section 106	Yes	✓
Procurement	Audit not finalised	
Disposal & Purchase of Assets	2 nd request	
Housing Partnership	Audit not finalised	
Housing Client	2 nd request	
Officers' / Members expenses	Review at request of A & G	
Car Parks	Audit not finalised	
Refuse & Recycling	Audit not finalised	

- **Percentage of recommendations 'accepted' versus 'recommendations made'**

Total Recommendations made in 1 st Quarter	51	Total Recommendations accepted in 1 st Quarter	51
Total Recommendations made in 2 nd Quarter	20	Total Recommendations accepted in 2 nd Quarter	20

- **Percentage of audits completed within the planned time**
8 Audits completed – 1 over-ran one day (90%)

Internal Audit Report Executive Summaries – for discussion

Conclusion

The role of Internal Audit continues to change and expand according to demand; changing legislation and the requirements of our external review agencies. This report covers the period 1st July 2009 to 30th September 2009. A report covering the period 1st October 2009 to 31st December 2009 will be presented at the next meeting of the Audit and Governance Committee scheduled for 3rd December 2009.

Legal Implications

No legal observations

Financial Implications

No financial observations

Consultation on Reports to the Executive

None

Background Papers

- Specified appendices

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
29 September 2009

APPENDIX 1

INTERNAL AUDIT PLAN MONITORING TO 30th SEPTEMBER 2009

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

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

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

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

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

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

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

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

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

Name of Audit	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned 'v' actual)	Report Reference	Areas for Improvement			Assurance Level		Actions		Client Rating	
							High	Medium	Low	Total	Agreed	Total	Sat'd	Not Satisfied	
Income and Cashiers (including cash floats)	Not Due				10 /	AUA 10									
Council Tax (including any cash float) Contract Audit Element: Debt recovery, Machine Maintenance, Revenue Collection	Not Due				10 / 3 /	AUA 06									
NNDR (including any cash float)	Not Due				10 /	AUA 07									
Building Control	Not Due				8 /	AUE 19									
Planning Administration	Not Due				8 /	AUE 20									
Contract Audit element Development Control	Not Due				1 /	AUE 18									
Economic Development – Contract Audit Element	Not Due				2 /	AUC									
					60 /										

Quarter 3 – October - December

PROGRESS AND MONITORING OF 2009/10 INTERNAL AUDIT PLAN

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

Legend

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

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

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

AUDIT INVESTIGATIONS FOR THE PERIOD

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

Investigation	Stage of Audit	Start Date	Date of Draft Report	Date of Final Report	Days - (Planned 'v' actual)	Report Reference	Areas for Improvement			Assurance Level		Actions		Client Rating		
							High	Medium	Low	Total	Total	Total	Agreed	Sat'd	Not Satisfied	
There has been no investigations																

UNPLANNED AND AD-HOC AUDIT WORK – 2008/09

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

2009/10	Details of Unplanned and/or ad-hoc work	Start Date	End Date	Assurance level given	Actions Remaining		Comment from Head of Service
					Total	Agreed	
	Members' Officers' Expenses	July 2009	August 2009	LA	10	9	completed by swapping out Street Scene - Property Services
	Safeguarding Children	August 2009	Ongoing				Requested by Corporate Director

Street Scene – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in June – July 2009 to provide assurance that the work processes and systems operating within Street Scene are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

Areas of Concern

Contractor Endorsement of Civil Engineering Contracts. At present contractors do not sign to indicate that they agree to the conditions of the contract exposing the Council to the risk of having no agreement signed by the contractor as reference if a dispute arises

Contract for Seafront and Security Lighting Schemes.

A contract for the provision of the Seafront and Security Lighting services has been operating with the current provider for 13 years and has not been reviewed during that period. This introduces the risk of Council currently not receiving best value.

Recording of stores receipts/ issues – Manstone Depot

Receipts and issues of stock items stored at Manstone Depot are not being recorded. This could result in stock items being used for non- council related activities and the loss of the items not being identified

Recording of Street Scene Assets

The Council's Parks and Gardens assets are recorded in a Down to Earth computer module however no records are available of Street Scene assets that are outside of the Parks and Gardens schemes. This introduces the risk of inaccurate valuation of Street Scene assets

Conclusion

In our opinion and after careful consideration Internal Audit can offer a neutral opinion and can confirm that the level of assurance that can be given is LA – Limited Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders
Contract Auditor.
August 2009

Purchase and Disposal of Assets – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in July – August 2009 to provide assurance that the work processes and systems operating for the Purchase and Disposal of Assets are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

Areas of Concern

Purchasing of Assets

The administration processes of a recent Planning and Countryside asset purchase was reviewed to determine compliance with relevant Council regulations. It was identified that no written quotation confirmation was available as required by Contract Standing Orders to support the purchase and that the order had been authorised by an officer who does not have the appropriate delegated permission to endorse orders. These weaknesses could result in orders being placed with a non-preferred supplier and the Council not receiving best value.

Conclusion

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance given is AA – Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders
Contract Auditor.
August 2009

AUDIT OF HOME SAFEGUARD – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in June - July 2009 of the Home Safeguard function, including the Home Safeguard Call Centre operating within East Devon District Council. The Home Safeguard Service falls within Housing Services.

Purchase Invoice Processing

Invoices from suppliers are not always being processed within a reasonable amount of time from the transaction date.

Service Continuity (loss of ICT server)

There is no provision for service continuity if the Call Centre Servers were out of action as the system is not held on other Council servers. This will result in a loss of service for both ourselves and North Devon District Council for whom we provide a Community Alarm Service. This could place vulnerable clients at considerable risk and adversely affect the reputation of the Council.

Non-Fee Paying Clients

The current system does not distinguish fee paying clients from non-fee paying clients. We found however that a supplementary spreadsheet identifying 'fee paying clients only' was maintained up until 2007. From 2008 a spreadsheet was maintained detailing both fee paying and non-fee paying clients.

This means that the Council will not be able to easily identify non-fee paying clients who benefited from an installation prior to 2007.

As the Executive Board has recently decided to charge some clients the full lease cost from September 2009 and all other current non-fee paying clients from April 2010 this will require urgent attention as mentioned below.

In addition, there is a significant risk that clients who have died may not have been removed from the system, and that their equipment has not been reclaimed.

Service Quality Monitoring

All calls are recorded, but service quality is not monitored by monitoring conversations on a random basis

Budgetary Control

Internal Audit reviewed the budgets for Home Safeguard for 2008/09 and considered that £70k to be under the direct control of the Home Safeguard Manager. This element of the budget was overspent by £35k (17.5%) and would need to be recovered from other areas in the council.

We noticed that the cost of maintaining and purchasing new alarm units was 2.5 times the budget at £47,000. This would suggest that the original 'estimate' was incorrect and not enough budget had been allocated to this account.

Lone Working

Internal Audit could not substantiate that the Lone Working Policy is being complied with for Mobile Support Officers but there was a lone working arrangement for Call Centre Operators.

Filing Administration

Some files containing personal client records could not be found when we carried out our audit testing, therefore there could be a breach in the Data Protection Act as sensitive personal data could have gone missing.

Home Safeguard - ICT Training

Home Safeguard staff lack Microsoft Office ICT skills. After discussions with the ICT Services it would appear that little ICT training has been undertaken, however this cannot be verified as we were told they do not keep records.

One – to – One Staff Reviews

There is little evidence of these reviews being held regularly.

Return to Work Interviews

Although we can confirm that self certification of sickness appears to be operating satisfactory, we found that Return to Work interview forms were not available and this suggests that these interviews are not being undertaken when an employee returns to work.

Conclusion

After careful consideration our overall conclusion would be that a 'Neutral opinion' is appropriate and we further offer a 'limited assurance' on the adequacy and integrity of the internal control framework.

We are confident that when management implement the recommendations made in the report the system will be robust and fit for purpose and the control framework will operate as intended.

David Haddon
Contract Auditor
July 2009

Housing Business Unit – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in August 2009 to provide assurance that the work processes and systems for contractual arrangements operating within Housing Business Unit are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10

Area of Concern

Until the recently the contracts for Community Grounds Maintenance, Individual Garden Maintenance Scheme, and Communal Cleaning and Caretaking had not been reviewed for over 20 years. Long term contracts can result in the Council not currently receiving best value.

Conclusion

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance that can be given is AA- Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix in the main report.

Jim Saunders
Audit Contractor
August 2009

PROCUREMENT – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in July/ August 2009 to provide assurance that procurement within the council is efficient and effective. The review focussed on the Print, Post and Stationery function (now brought in-house and managed by ICT) and various stationery contracts existing at the time of the audit.

Areas of Concern

Print Room Recharging

No pricing or billing anomalies were identified but one of the recharges had not been processed and remains outstanding. This could result in the service not receiving all income due.

Issue of Toners.

We found there is no requirement to complete an order to support the request for print / photocopier cartridges / toners to verify that the cost centre code provided is authorised to receive the debit.

Analysis of the process shows that any officer can obtain toners by entering details on a list. This introduces the risk of toners being acquired for non – council activities or of toners being charged to a cost centre without authorisation.

Tendering Process

Internal audit reviewed the tendering process associated with the decision to bring the Print and Post Room service back in house.

We found that 3 tenders were received following the Expressions of Interest advertisement, but only two of these were available for us to review. The missing tender and supporting documentation had been discarded because it had not been signed; a fact we cannot verify.

We noted breaches to the Retention and Disposal of Documents Guidelines, Contract Tendering Policy and Contract Standing Orders.

Stationary Procurement Contract

Devon Procurement Partnership manages the contract with the stationery provider, Lyreco, on behalf of the Council. This should be governed by a 'Contract' or 'Agreement;'. We could find no such document.

Council's Procurement Officer

During a review of the Procurement Policy it was noted that the Policy has not been updated to reflect the appointment of the new Procurement Officer.

Conclusion

In our opinion and after careful consideration Internal Audit can offer a neutral opinion and can confirm that the level of assurance that can be given is LA - Limited Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Section 106 monies – EXECUTIVE SUMMARY

Introduction

An audit was undertaken in June – July 2009 to provide assurance that the work processes and systems operating within Section 106 monies are efficient and effective. The review was undertaken as part of the Internal Audit planned work for the year 2009/10.

Areas of Concern

4.1 Recreational Areas Strategy

The Recreational Areas Strategy was produced by the Council as a Consultation Draft in June 2003. This consultation draft has not been formally adopted by the Council for development control purposes and the information contained within is now outdated.

The Council is currently relying on the information contained within the Recreational Areas Strategy for justification of financial contributions in the form of section 106 agreements and unilateral undertakings for open spaces and play areas in the planning process.

The status of the document has already been identified as a weakness at an appeal and it is considered that it is only a matter of time before an Inspector overrules the Council's justification for requiring the contributions. In this event, the council would have no further justification for the requirement of financial contributions in respect of recreational open space and play areas for new development

Conclusion

In our opinion and after careful consideration Internal Audit can offer a positive opinion and can confirm that the level of assurance that can be given is AA- Adequate Assurance. The definitions relating to the levels of assurance are contained in the appendix to the main report.

Jim Saunders
Audit Contractor
July 2009

Agenda Item 9

Audit and Governance Committee

29 September 2009

TC



Corporate Governance activity report for the period 1 July 2009 to 30 September 2009, including:

- **Updated Corporate Risk Management Policy and Strategy**
- **Corporate Governance Work Plan – Progress Report**
- **Corporate Risk Management – Progress Report**
- **Annual Governance Statement Action Plan (Progress Reports from Directors/HoS)**

Summary

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

Recommendations

Members are asked to approve the:

- **Updated Corporate Risk Management Policy & Strategy**

Members are asked to note progress:

- **The progress made so far on the Corporate Governance Work Plan for 2008/09**

Members are asked to note and keep under review the progress on:

- **Corporate Risk Management**
- **Annual Governance Statement - Action Plan**

a) Reasons for Recommendation

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

b) Alternative Options

None

c) Risk Considerations

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

d) Policy and Budgetary Considerations

There are no budgetary considerations

e) Date for Review of Decision

N/a

Main Body of the Report

Introduction

This report shows the activity for the period July to September 2009.

Audit Staffing

The Internal Audit Activity Report gives a full explanation of the staffing situation within the Audit & Governance team and it should be noted that a lack of resources in internal audit has had an impact on the Council's corporate governance.

Corporate Risk Management – CRMG Chairman's Progress Report

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

The Corporate Risk Management Policy, Strategy and Toolkit have all been updated and agreed by the CRMG. These documents are revised when required and it is expected that an annual review of their content is all that is presently needed.

The CRMG commissioned the SPAR.net system which has received regular software updates and is now fully operational. The CRR itself is proving to be a straightforward tool to use and has a degree of clarity that will be of benefit to members and officers alike when viewing and reviewing risk data.

The design of the pages of the CRR enable easy access to areas for review of information and the clarity of the screens will help to ensure that members will be able to enter and browse the CRR without difficulty.

Population of the CRR is taking more time than was planned and the desire to complete a fully operational CRR before the end of the year may prove difficult to achieve. Whilst the SMT has considered corporate/strategic risks none have yet been entered into the CRR. Some progress has been made on the identification and entry of operational/service risks but these operational risks can only be linked to strategic risks once they (the strategic risks) are entered.

As experience is gained setting out risks and mitigating controls some questions arise that have required some debate. In every instance I, as Chairman, have asked for clarity for the benefit of Members and therefore all listed risks are to be rated before controls are added and the revised risk levels noted after mitigation. There will also be a need to rationalise the structure and categories of risk as time passes but this should not interfere with the population of the register. It is a deliberate policy that the Register itself becomes a corporate act in itself so that repeated 'risk' is avoided and clarity enhanced. The ultimate ambition includes the discernable 'golden thread' that leads to and from the Strategic Vision set down by Council and to which we should adhere.

In the meanwhile I trust that population of the CRR will accelerate and that we will be able to meet the ambition that we shall have a fully operational CRR in use by the end of the year. Not to achieve this brings the added risk of serious criticism from the external auditors.

Corporate Risk Management Policy & Strategy

On the 1st September the Corporate Risk Management Group (CRMG) revised the Corporate Risk Management Policy and Strategy to bring it in line with the new Corporate Risk Management System SPAR.net. This Policy is presented to Members of the Audit & Governance Committee for approval.

Corporate Governance Work Plan 2009/10 – Appendix 1

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

NFI Exercise 2009/10

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

The exercise is progressing well and the NFI work has been completed for creditors, the results of which were the finding of two duplicate payments:

1. Two payments referenced 08101021 and 08101021, both for £1,429.32. It should be noted however, that this duplicate payment had already been picked up and a credit note had been applied (unfortunately NFI only picks up on payments made and does not match with credit notes);
2. A Sundry Debtor overpayment refund for £29.80 as at January 2008 was paid twice. Procedures have now been changed to prevent this type of overpayment.

The exercise is progressing well in Housing Benefits, with over 1300 matches checked to date. These matches have led to a total of 82 claims subject to further enquiry, a total of 34 letters have been prepared and sent to benefit claimants to clarify their claim and 3 of these have been subject to intervention¹ 4 of these have been sent to the DWP to investigate and a further 3 have been referred directly to housing benefit fraud for investigation by our team. I will provide further details on the results of these investigations to the Audit & Governance Committee in December.

Audit and Governance Training

A number of Members and officers attended training sessions arranged in early July in the use of the Corporate Risk Register, a number of Members have also attended an Induction and Corporate Governance training session in late July, there were also one-to-one training session with two other Members in August.

Annual Governance Statement – Action Plan, Progress Report

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

Area for Improvement - Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.

HoS Response - The disaster recovery process is still tenable for all the identified core systems. The tape recovery process has been used a number of times in the last 6 months to recover files that have been inadvertently erased and also to build a new Exchange server for email.

With the increasing amount of data stored by the Council the back-up "window" had extended into live operation times and remedial action was taken to alter the back-up methods to compensate.

Work began in July to completely redesign the disaster recovery and back-up systems to make everything faster, easier to use, and more reliable. This involves using the new links to Honiton Business Centre for data transfer and setting up equipment that more closely replicates the systems at the Knowle. This is now in process aiming for a test no later than March 2010.

Area for Improvement - The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk.

Corporate Risk Manager Response – See above for progress report.

¹ Personal visits by HB officers to look at in more depth

Area for Improvement - The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the council.

Internal Audit & Governance Manager Response – Agreement has now been reached on the content of the specification and 'Expression of Interest' advertisements have been made.

Area for Improvement – There is a need to review Health and Safety compliance throughout Street Scene services.

Street Scene Manager Response – Area Manager (West) is leading this project and is being supported and monitored by the Head of Service and Street Scene Manager. The various policies, generic risk assessments, site specific risk assessments, inspection sheets/procedures, updated COSHH sheets and codes of Practice are being pulled together. Consultation is underway with teams to identify any additional assessments. Once the gaps have been identified, individuals will be tasked to review or undertake from scratch additional assessments.

Area for Improvement – Failure to develop Flood Alleviation and Coast Protection Strategy. The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.

Response awaited

Area for Improvement – LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.

Response awaited

Legal Implications

None

Financial Implications

None

Consultation on Reports to the Executive

N/A

Background Papers

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

Tanith Cox - 2687
Internal Audit and Governance

Audit & Governance Committee
29 September 2009

East Devon District Council

Corporate Risk Management Policy (CRM)

Reviewed

September 2009

Policy Approval

Audit & Governance Committee – September 2009

Reasons for introducing the Policy

The Council's Corporate Strategy sets out its vision of "Outstanding and sustainable quality of life for everyone in East Devon". It complements this statement with seven specific priorities that will help to achieve its vision. The Corporate Strategy also refers to challenges and success indicators, and specific measures that it will take over the next 12 to 24 months. The Council must continually monitor and improve the services that it provides, introducing challenge and change; integral within these processes is the identification of risks and opportunities.

The Council needs to manage its risks and take account of its opportunities, such action will facilitate the delivery of the Council's vision and help to deliver the services expected of our stakeholders by:

- Making CRM part of the everyday culture of the Council
- Targeting corporate risk management issues
- Maintaining financial stability by minimising loss and wastage
- Providing and maintain opportunities for investment and redirection of resources
- Maximising income opportunities
- Identifying new initiatives and change
- Developing and maintaining reputation (to encourage partners and funding agencies)
- Being open and honest in our decision making processes, delegation arrangements and corporate governance

The CRM process also:

- Provides a framework for internal audit financial and management control
- Supports internal audit work plans

The points above help to demonstrate the links between the corporate strategy and the Council's service plans for service delivery. It also introduces another dimension into CRM that of "corporate"¹ risks and "operational" risks.

Policy Statement

Risks themselves can range from those with an impact that can be easily understood e.g. those related to a major capital project, to those that are less readily identified such as the risk to the Council's reputation and standing. This Corporate Risk Management Policy provides a framework within which these risks can be managed.

¹ 'strategic' – medium to long term, affecting the vision and priorities of the Council

The Institute of Risk Management has defined 'risk' as *"the chance of something happening that will have an impact on objectives"*

CRM can be defined as the use of all forms of intelligence, information and data to identify and quantify the risks faced by the Council. Being aware of our risks and opportunities means that decisions can be taken on the best way of controlling and managing risk, and whether to transfer it (through insurance) or accept and finance it in-house.

The stages of CRM are as follows:

- Identification
- Analysis and Assessment
- Control and Management
- Financing
- Monitor and Review

Terms Explained

Corporate¹ Risks

Corporate risks are generally managed by the Council's Corporate Directors and are defined as risks that can damage the achievement of the Council's priorities, outcomes and measures i.e. the Council's "vision".

Operational Risks

Operational risks are managed by heads of service and senior managers and are defined as risks that can affect the delivery of individual services but would not, in isolation, threaten the Council's overall objectives. For example: a refuse vehicle breaking down during a collection round. The link between the two is that operational risks can become strategic if they continue to happen. For example: continued failure to collect refuse would adversely affect the Council's reputation for delivery of quality services and would ultimately contravene health and safety legislation.

How will we go about it?

The Council has published its Toolkit for CRM. This document sets out the processes required and provides the framework for all CRM activities.

This Policy and Strategy will describe the different elements that need to be managed in order for the CRM methodology to become embedded into every layer of the Council. These are:

Ownership

The Council must demonstrate that it owns its Corporate Risk Management Policy and supports the Strategy and Toolkit.

Defined roles and responsibilities

The Council must ensure councillors, corporate directors, heads of service and senior managers understand how to identify, measure and control corporate and operational risks.

Processes

The Council must build in CRM when making decisions and this process should be documented in accordance with the CRM Toolkit.

Advice and Guidance

The Council must provide advice on best practice, and incorporate CRM within specific projects.

Resources

The Council must allocate adequate resources to achieve the Policy and deliver the Strategy.

Corporate Risk Management Strategy

Ownership

It is vital that the Council promotes CRM as one of its key corporate governance outcomes. CRM is a valuable tool to ensure the continued delivery of services. Whilst CRM guidance and advice is provided by expert staff, to be effective it must be part of everyone's "day job" ie: part of the culture of the Council. Corporate directors will manage the achievement of the Council's "vision" and priorities and the risks associated with them; and Heads of service will manage the delivery of their services and the risks associated with delivery.

Roles and Responsibilities

At officer level, responsibilities may be of an individual nature and will include the Chief Executive as Head of Paid Service, the Corporate Director as Section 151 Officer², and the Deputy Chief Executive as the Monitoring Officer. They also include the collective responsibility of other corporate directors and heads of service, through departmental management teams, and individual service managers and their staff as the people who deliver services on the ground.

There is a Corporate Risk Manager who, together with the risk 'Champions'; (these are the Corporate Director and appointed Council Member), are the main drivers for much of the corporate risk management activity.

Processes

The simplest way to describe how to perform CRM is to think of a cyclical process of identification (of risks) which leads to assessment and the consideration of actions (or controls) to mitigate the risk. Then to establish mechanisms for implementing the actions (or controls) including allocating specific responsibility to ensure the control is in place and working as expected. Finally, there is a need to monitor, review and update on a regular basis.

The Council has produced a Toolkit which sets out in detail each of the processes above, and includes risk assessment matrices to assess likelihood and impact.

The Council has a CRR (Corporate Risk Register) that will be updated on a regular basis.

Advice and Guidance

The Council has provided directors, heads of service, senior/middle managers and key Council members with the necessary training to ensure an awareness of risk and published the CRM Toolkit (Corporate Risk Management Guide) to help guide the identification, assessment and management of corporate risks. The Council's learning and development brochure contains details of further training should this be required.

² officer responsible for the administration of the Council's financial affairs and stewardship of public funds

Resources

The Council has a nominated officer designated as the Corporate Risk Manager, who together with the Corporate Director is responsible for ensuring a corporate approach to CRM and to provide advice and guidance on best practice and legislative requirements.

Independent Review

The Council's internal auditors will review the accuracy and integrity of the CRR and the CRM process. More details of their review process can be found in the CRM Toolkit.

Reporting to Members

The Council has an established Audit & Governance Committee who receives regular reports. Council members monitor the key findings and risks and ask for explanations as and when appropriate from each head of service

The Council has nominated a Council member as 'CRM champion' who is also a member of the Audit & Governance Committee.

Outcomes

The overarching aim of CRM is to contribute to the achievement of the Council's vision and priorities outlined in the Council's Corporate Strategy. It will do this through:

- Improving service performance, minimising losses and waste of resources.
- Helping to protect staff, residents and customers, and the Council's assets and operational capacity.
- Aligns the risk assessment process to strategic objectives, to the corporate strategy and operational objectives.
- Increased likelihood of achieving strategic and operational objectives.
- Heads of service and managers becoming 'risk owners' with responsibility for implementing the actions to control their risks.
- Satisfying the requirements of the Audit Commission and external auditors.
- Assisting in ensuring openness and transparency of decision making by ensuring risks and opportunities are fully debated.
- Assisting decision making because both risks and opportunities can be evaluated.
- Compliance with the Council's Code of Corporate Governance
- Recognition as an excellent Council.

Who is responsible for delivery?

The Corporate Risk Manager will offer advice, guidance and training and will ensure a review of the accuracy and integrity of the CRR and the CRM process. The Corporate Risk Manager will report on the compliance with this Policy, Strategy and the CRM Toolkit. The Corporate Risk Manager will update the Policy, Strategy and other supporting documentation and prepare the Council's Governance Statement.

The strategic management team is responsible for identifying, assessing, monitoring and controlling corporate risks. They also have a role in promoting good governance and CRM across the Council.

Heads of service are responsible for identifying, assessing, and reviewing their service risks. This includes any activities in partnership with other services and/or external partners. Heads

of service are responsible for the implementation of actions (controls) to ensure that any risks identified are mitigated.

The Corporate Risk Management Group will promote and embed a culture of Corporate Risk Management by ensuring appropriate corporate risk management guides, policies and procedures are available to assist in the identification and evaluation of risks. This Group will receive various reports on corporate risk management and monitor corporate risks.

All councillors and staff who make decisions have a responsibility to consider (and take account of) any risks associated with their actions.

The Portfolio Holder for Resources is responsible for the general overview of CRM. The Member Risk Champion is responsible for driving and co-ordinating CRM within the Council

The Audit and Governance Committee is responsible for scrutinising CRM across the Council.

Performance Monitoring

External Inspection and Assessment

Corporate Risk Management is a key dimension in the Council's Corporate Governance arrangements. Guidance from ALARM³ enables the Council to review its arrangements against a recommended framework. The combined policy, strategy, toolkit and other affiliated control procedures, training programs, regulations and codes, provides a comprehensive framework for the management of risk across the Council.

The arrangements for Comprehensive Area Assessment (CAA) use the CIPFA/SOLACE framework as a "benchmark" for part of the corporate assessment phase. The Council needs to demonstrate certain qualities and minimum standards in order to achieve a favourable assessment.

The Council's CRM arrangements are under constant review from both the Audit & Governance Committee and from our external reviewers (ie: Audit Commission and external auditors). CRM features heavily in our Use of Resources assessments and failure to deliver this strategy will result in a failing Use of Resources score.

Policy Consultation

This CRM policy and strategy has been discussed and agreed with the Council's external auditors, and follows guidance issued by ALARM and the Audit Commission. Internal consultation involves staff across the Council, key Council members and the Member Champion for CRM.

Policy Review

This policy will be reviewed by the Internal Audit & Governance Manager on a regular basis.

Related Policies and Strategies

Financial Regulations and Financial Operating Procedures
Code of Corporate Governance
CRM Toolkit

³ Association of Local Authority Risk Managers

CORPORATE GOVERNANCE WORK PLAN 2009/10

Appendix

Month	Update Audit and Governance Policies, Strategies, Procedures, Codes of Practice, Explanatory Leaflets etc	Partnership Mapping and partnership corporate governance arrangements (but see note on reverse) ⁴	Annual Governance Statement 2008/09 ⁵	Key Lines of Enquiry 2008/09	Corporate Risk Management	Data Quality Initiatives – BVPI and NI checking ⁸	Ongoing Management of staff resources, workloads and plans of the Internal Audit Section ¹⁰
2009							
April							
May							
June	A & G & CRMG Committee Reports ¹	NFI ³	Annual Governance Statement 2008/09 ⁵	Use of Resources KLoEs and Corporate Governance KLoEs ⁶	System Procurement and implementation, data transfer and cleansing System Admin ⁷	Data Quality Initiatives – BVPI and NI checking ⁸	Ongoing Management of staff resources, workloads and plans of the Internal Audit Section ¹⁰
July	Ongoing throughout the year. ²						
August							
September	A & G & CRMG Committee Reports ¹					Audit & Governance Training for council staff and members ⁹	
October							
November							
December	A & G & CRMG Committee Reports ¹						
2010							
January	A & G Committee Reports ¹						
February	A & G & CRMG Committee Reports ¹		Annual Governance Statement 2009/10 ⁵				
March							

Completed On going delayed

Notes to the Corporate Governance Plan

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

ANNUAL GOVERNANCE STATEMENT – ACTION PLAN

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

Governance and Control Issues Identified

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

Area for Improvement	Suggested Action	Officer Resp.
Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.	<p><i>The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure has changed significantly as a result of the new Microsoft infrastructure and the IT Service Continuity process has now reverted to tape back-up and recovery.</i></p> <p><i>The back up and recovery process will be improved to enable a better window of operation for live services and a DR test conducted of the new processes in 2009.</i></p>	<p>CP</p> <p>CP</p>
The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk. The corporate risk register has not been formally updated and reported to the Audit & Governance Committee since March 2008.	The Corporate Risk Management Member group will drive this forward including a new corporate risk management system, training for Heads of Service and an updated Corporate Risk Management Policy Strategy and Toolkit.	DP
The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the council	The council to consider the long-term provision of an internal audit service.	DP

Area for Improvement	Suggested Action	Officer Resp.
<p>There is a need to review Health and Safety compliance throughout Street Scene services.</p>	<p>Review Health and Safety compliance and include in service objectives for this year and in PERs..</p> <p>These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.</p>	MR
<p>Failure to develop Flood Alleviation and Coast Protection Strategy</p> <p>The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.</p>	<p>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</p> <p>This has serious work capacity issues in the delivery of Engineering services in particularly those associated with Land Drainage, Flood Alleviation and Coastal Defence works. Failure to fill this post will mean a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB

Area for Improvement	Suggested Action	Officer Resp.
<p>A programme of data quality checking was carried out by Internal audit during 2009 which found most NIs were either incorrect or needed remedial action. The NIs requiring internal audit recommendations were</p> <p>NI 156 – Housing NI 182 – Environmental Health / Licensing NI 185a/b CO² Emissions NI 194a/b Air Quality NI 196 – Street Scene</p>	<p>Report produced by Internal Audit & Governance to be presented to the Audit & Governance Committee on 29th September 2009.</p>	<p>SMT</p>
<p>An audit in 2007/08 highlighted the areas of weakness with regards the Council's Licensing functions, in that there are two which do not operate consistently or use the same computer system. Internal Audit recommended that the two Licensing functions be amalgamated, and this recommendation appeared on the 2008/09 Governance Action Plan but has not been implemented. The issues highlighted in the review of NI 182 are likely to have been exacerbated by the inconsistent methodologies and systems.</p>	<p>During 2008 Internal Audit were assured that a timetable for data transfer from Environment Health was being discussed with ICT; however this had been delayed because of the problems associated with the protracted migration of the Environmental Health Computer System from M3 to CAPS. We were also assured that the Licensing Manager was preparing for handover and had been liaising with his counterpart in Mid Devon where they have a similar set up in readiness for the transfer.</p> <p>The current position is that all the important cyclical licences have now been transferred and the remainder are progressing well. The transfer will be completed in time for this year's round of licence renewals.</p>	<p>SMT</p>

Agenda Item 10

Audit & Governance Committee

29 September 2009

TC/DV



Council's Policies relating to Officer and Member expenses and audit review of Member expenses

Summary

At its meeting on the 25th June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined.

Recommendations

That the Audit & Governance Committee note the contents of the report and support any recommendations made to improve the accuracy and integrity of officer and member expenses.

a) **Reasons for Recommendation**

The recommendations are intended to help ensure the adequacy and effectiveness of the arrangements in place for officer and member expenses.

b) **Alternative Options**

None.

c) **Risk Considerations**

Due to the current public examination of MPs' expenses, it was recommended by the Audit and Governance Committee that a review of councillor and officer expenses should be undertaken as a high priority to make sure that the policy was appropriate and that adequate checks were in place. Failing to review this area could mean errors and/or inaccuracies to allowances go undetected and policies relating to staff and members may be contradictory.

d) **Policy and Budgetary Considerations**

There are no budgetary implications.

e) **Date for Review of Decision**

N/a

1.0 Introduction

1.1 At its meeting on the 25th June 2009, the Audit & Governance Committee requested that a report be presented to the next meeting of the Committee setting out the Council's policies relating to Officer and Member expenses. In testing the adequacy of the procedures relating to members' expenses a random sample of claims were examined.

1.2 The Democratic Services Manager in respect of members' expenses and the Payroll Services and Employee Benefits Manager in respect of members' and staff expenses were both consulted on the policy and guidelines in place.

Part 1 - Members' Allowances and Expenses

2.1 Yearbook and Constitution

Member's allowances (Guidance Notes) are contained within the "Yearbook" and in the "Constitution". A new Yearbook detailing the arrangements for 2009/10 has just been issued. Page 53 specifies details of Members' Basic Allowances. The Yearbook correctly states the basic annual allowance is £4,360.

Review outcome:

- There are **Special Responsibility Allowances** of between £836 and £14,421. Overview and Scrutiny allowances have yet to be agreed.
- **Travelling Expenses** of up to £0.601p, with a "Passenger Rate" of 5p per passenger and "Bicycle Rate" of 20p per mile and "Motorcycle Rate" of 25p per mile.
- **Subsistence Allowance** breakfast £5.94 (£7.27 in London), lunch £8.21 (£10.38 in London), and after 7pm £10.15 (£13.49 in London), overnight absence £85.36 (£97.36 in London). As for members of staff, the Yearbook does require receipts to be produced.
- **Child Care and Dependent Career's Allowances** £5.52 an hour, maximum of 5 hours, same conditions as for members of staff.
- **Members' Sick Pay** – same conditions as for members of staff including a maximum period of 28 weeks for statutory sick pay.
- Travelling expenses of up to £0.601p can be claimed by Members for eligible journeys; however Members will pay tax and may pay national insurance on any travel expense in excess of £0.40p. Members are entitled to 'opt out' of the travel expenses scheme or may either claim a lower mileage amount or no mileage.
- The allowances stated in the Yearbook did not include the cost of living award for 2008/09 and quoted figures of £805 and £14,074 respectively.

Review recommendations:

1. The Yearbook is generally published after the Annual General Meeting of the Council which is July/August, consequently the allowances in the Yearbook will always be slightly adrift from the 'actual allowances' because of the pay award (which is agreed at a national level often much later in the year and for 2008/09 in November). It was agreed that the Yearbook will no longer contain details of the actual allowances, but instead will give details of the Council's Website which is updated immediately the latest figures are available.

2.2 Members' Allowances Scheme – Advertisement in Express and Echo

Members' Allowances are published in the Express and Echo and set out the various allowances for Members. It was noted that the Yearbook contained an amount of £3,517 for Deputy Leader of the majority party, but that the advertisement publishing Members' Allowances stated it as £10,610. After discussing with the Payroll Services and Employee Benefits Manager it became apparent that the individual elements that make up the total allowance had not been stripped out (ie: the total of all special responsibility allowances for the Deputy Leader had been amalgamated).

Review recommendations:

2. The Deputy Leader's allowances will be split out to show each individual allowance for each designated responsibility.
3. Future advertisements will contain a footnote specifying that the allowances are subject to the agreed national pay award.

2.3 Members' Local Code of Conduct

Members have a Local Code of Conduct adopted 23rd May 2007.

Review outcome:

The Local Code gives guidance on Members' working arrangements as "home workers" and as such may qualify for tax relief in respect of additional expenses incurred if working from home. If members conduct their Council business from home they may make an application to their tax office for up to £120 a year tax relief in respect of additional expenses incurred.

Review recommendations:

4. Although the Local Code gives guidance to Members with regards their home working arrangements, the Members' Expenses Claim Form and/or the Members' web page should remind Members that it would be prudent to specify that they make a "workstation" available at home for homeworking, rather than setting aside a room in their home which could attract Non Domestic rates.

2.4 Members' ICT Allowances

Review outcome:

East Devon members who are also members of Devon County Council will be supplied with equipment and broadband by Devon County Council and are not eligible for further equipment or related allowances from East Devon. These members are expected to comply with the Information Security requirements of both councils.

Review recommendations:

5. The ICT Equipment and Services for Members Policy should be updated to reflect current arrangements.
6. Section 3.5 of the ICT Equipment and Services for Members Policy refers to councillors receiving a broadband allowance each month, however reimbursement for broadband is now included in the Members' Basic Allowance of £4,360 since 2008. The Policy should be updated.

2.5 Audit of Members' Expenses

A sample of claim forms and supporting receipts were examined, consisting of 20% of members and divided proportionately between their political parties as shown below:

- Conservative - 8
- Lib Dem - 2
- Independent - 1

Where possible, the audit check included reference to attendance sheets made at committees meetings, officers' outlook diaries and other event logs.

Twenty six claims from a total of 11 councillors were reviewed spanning a period of 6 months from January to July 2009. In 10 cases all expenses were found to be in order, however for one councillor this was not the case, and a variety of different anomalies were found on claims for each month from March to June ranging from incorrect arithmetical calculation, the payment of an invoice in another persons' name and possible overclaiming of mileage.

These inconsistencies were reported to the Council's Monitoring Officer who interviewed the council member. We understand the Monitoring Officer was satisfied with the explanations received.

The situation has arisen because of inadequate checking/authorization of Members' expense forms, whether this is by Democratic Services' staff or by another, the fact remains that Members' claims only receive a limited check which was not sufficient to identify the anomalies found by internal audit.

There are two options:

7. The Council needs to either allocate responsibility for 'authorising' Members' claims to an individual (staff or member) and ensure that sufficient monitoring takes place throughout the year, including checks of outlook diaries, committee logs etc, or
8. The Council could request an annual review by Internal Audit of Members' claims. This will have resource implications and the usual audit-day allocation is 8 days.

2.6 **Members' Expenses Form**

During the review we noted that various versions of the expense claim form was being used by members. Some of them contained boxes to indicate the use of internet broadband (all members now receive a broadband allowance which is included in their Basic Allowance). The form does not contain a space on it for the signature of the Democratic Services Officer who checks the form, neither is there space for the signature of the authorizer (if appropriate).

Review recommendations:

- 9 Members should be asked to complete their Expenses Claim Form on their PC and print off or email to Democratic Services. If this is not possible, then the Expenses Claim Forms should be hand-written in capital letters or legible handwriting.
- 10 The Expenses Claim Form could be redesigned to include the areas referred to in 2.5 and to include reminders for members to:
 - Enter as much detail as possible onto the claim form, including the name of the officer(s) approving the formal meeting between members and officers.
 - The option to claim 0.40p per mile rather than the 0.601p.
 - In the case of claiming civic expenses, after checking the Chairman's Claim form the Chairman's Secretary will attach the paper copy of the invitation to the 'pink' claim form.
 - To complete on the PC, or to hand write in capital letters.

Payroll services should be consulted when the Expenses Claim Form is revised.

Acknowledgements

Internal Audit would like to thank the staff within Democratic Services and Payroll Services for their help and assistance during this review.

Part 2 - Staff Allowances and Expenses

2.7 Travel, General and Subsistence

The Council has produced an array of different policies and procedure notes setting out in detail the allowances available to members of staff.

All these policies have been presented by the Head of Organisational Development to Executive Board for approval and agreed with Unison prior to implementing.

Review outcome:

- **Car and other vehicle allowances**

Both the essential user car allowances and rates, as well as casual user car rates are set under national agreement by the National Joint Council (NJC) and the unions and not the Council.

Certain posts are designated as "Essential Car User" such as "Director" or "Head of Service" or where mileage is likely to exceed 1000 per annum which is as a result of an average of 3 journeys per week (excluding Vocational training). Essential Car User rate, based on a car of 1200cc or above is 46.4 (first 8500 miles), and 14.2p (after 8500 miles).

Essential Car Users also receive a monthly 'lump sum' of £97.50 (based on 1200cc motor car).

Other posts not designated "Essential Car User" are paid "Casual Car User" rates based on a car of 1200cc or above is 60.1 (first 8500 miles), and 14.2p (after 8500 miles).

A "passenger rate" of 5p per passenger, "Motorcycle rate" of 25p per mile and "bicycle rate" of 20p per mile.

The provision of a vehicle for business or private use "Lease Car Scheme" (only if there is a contractual entitlement), and the Scheme is now closed to new or existing officers that are not currently part of the scheme.

Employees are also entitled to a "Vocational Training Mileage Rate" where travel by car has been authorized and the employee is not a Lease Car User, the training rate is 14.2p.

- **Subsistence & General Allowances**

These allowances are locally agreed and increased annually each April by the RPI as at March.

Similar "Subsistence Allowances" for members - breakfast £5.94 (£7.27 in London), lunch £8.21 (£10.38 in London), and after 7pm £10.15 (£13.49 in London), overnight absence £85.36 (£97.36 in London). As for members the Council does require receipts to be produced.

"Out of Pocket Expenses" are paid for expenses incurred on residential training courses, no receipts are required as this is paid as a flat sum.

"Professional Membership Subscription" of one appropriate association or professional body.

2.8 Re-imburement of Relocation Expenses

Review outcome:

"Lodging allowance" for a maximum of 6 months is payable at the rate of £73.25 per week Alternatively to the lodging allowance up to £73.25 may be paid in respect of "Daily Travel / Commuting". If the Council provides accommodation then the lodging allowance is reduced to the amount of rent charged for the property.

2.9 Employees' ICT Provision for Homeworking (including Mobile, Broadband and Telephone Allowances)

Review outcome:

A home worker may be issued with a "Mobile Phone" (for business use only) or a "Dedicated Telephone Line".

Reimbursement of up to £18 per month for "Broadband Connection" pro rata to the number of days contractually agreed to work from home. This is available for partial and full home workers only. Casual home workers do not receive any allowances. Definitions exist within the homeworking policy for the type of home worker.

"Provision of Furniture" provided that the furniture is used for work and that any private use is insignificant.

In the case of "full, partial or mobile working with home as an administrative base", a flat rate of £2 per week or £104 per year will be paid quarterly in arrears according to the proportion of working days spent from home. This is based upon the Inland Revenue rates that are tax free payments. These payments are in respect to heating, lighting, electricity and other household expenses.

2.10 Other Ad-Hoc Schemes

Review outcome:

"Childcare Voucher Scheme"

"Cycle Scheme" (This scheme is available to Members).

"Car Loans"

"LED discount for employees"

"Bus Scheme"

Acknowledgements

Internal Audit would like to thank the Payroll Services and Employee Benefits Manager for his help and assistance during this review.

3.0 Audit Conclusion

This review has been comprehensive and wide ranging; the recommendations for improvement are confined to Part 1 - Members' Allowances and Expenses and an action plan has been produced for Members to monitor progress on their implementation. Part 2 of the report is for information only.

Legal Implications

No observations are needed.

Financial Implications

No direct financial implications.

Consultation on Reports to the Executive

Background Papers

Members' Yearbook and Constitution

Members' Local Code of Conduct

Various Member/Employee Policies

Tanith Cox

Audit & Governance Committee
29 September 2009

2008-09 ACTION PLAN – Officer and Member Expenses and Audit Review of Member Expenses		Receiving Officers: Audit & Governance Committee			
Audit Officer – Taniith Cox		Responsible for Reply: Various			
C U R R E N T R I S K	Actions agreed by: Various	Implementation date and officer responsible	Auditor Notes	FOLLOW UP SECTION	
				Head of Service Confirmation of compliance	Actual Date of Implementation
1.	The Yearbook is generally published after the Annual General Meeting of the Council which is July/August, consequently the allowances in the Yearbook will always be slightly adrift from the 'actual allowances' because of the pay award (which is agreed at a national level often much later in the year and for 2008/09 in November).	Agreed Democratic Services Manager To be implemented when next Yearbook published	It was agreed that the Yearbook will no longer contain details of the actual allowances, but instead will give details of the Council's Website which is updated immediately the latest figures are available.		
2.	The Deputy Leader's allowances will be split out to show each individual allowance for each designated responsibility.	Agreed Payroll Services and Employee Benefits Manager September 2009			
3.	Future advertisements will contain a footnote specifying that the allowances are subject to the agreed national pay award.	Agreed Payroll Services and Employee Benefits Manager			
R E S I D U A L R I S K					

2008-09 ACTION PLAN – Officer and Member Expenses and Audit Review of Member Expenses		Receiving Officers: Audit & Governance Committee	
Audit Officer – Tanith Cox		Responsible for Reply: Various	
Actions agreed by: Various	Implementation date and officer responsible	Auditor Notes	FOLLOW UP SECTION
		Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K	<p>4. Although the Local Code gives guidance to Members with regards their home working arrangements, the Members' Expenses Claim Form and/or the Members' web page should remind Members that it would be prudent to specify that they make a "workstation" available at home for homeworking, rather than setting aside a room in their home which could attract Non Domestic rates.</p> <p>5. The ICT Equipment and Services for Members Policy should be updated to reflect current arrangements.</p> <p>6. Section 3.5 of the ICT Equipment and Services for Members Policy refers to councillors receiving a broadband allowance each month, however reimbursement for broadband is now included in the Members' Basic Allowance of £4,360 since 2008. The Policy should be updated.</p>	<p>Agreed Democratic Services Manager September 2009</p> <p>Agreed Head of ICT September 2009</p> <p>Agreed Head of ICT September 2009</p>	R E S I D U A L R I S K

2008-09 ACTION PLAN – Officer and Member Expenses and Audit Review of Member Expenses		Receiving Officers: Audit & Governance Committee Responsible for Reply: Various			
Audit Officer – Tanith Cox		FOLLOW UP SECTION			
	Actions agreed by: Various	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K	7. Council needs to either allocate responsibility for 'authorising' Members' claims to an individual (staff or member) and ensure that sufficient monitoring takes place throughout the year, including checks of outlook diaries, committee logs etc, OR	Yet to be agreed:	Referred to A & G Members for decision		
	8. The Council could request an annual review by Internal Audit of Members' claims. This will have resource implications and the usual audit-day allocation is 8 days.	As above			
	9. Members should be asked to complete their Expenses Claim Form on their PC and print off or email to Democratic Services. If this is not possible, then the Expenses Claim Forms should be hand-written in capital letters or legible handwriting.	As Above			
R E S I D U A L R I S K					

2008-09 ACTION PLAN – Officer and Member Expenses and Audit Review of Member Expenses		Receiving Officers: Audit & Governance Committee Responsible for Reply: Various			
Audit Officer – Tanith Cox					
	Actions agreed by: Various	Implementation date and officer responsible	Auditor Notes	FOLLOW UP SECTION Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K	<p>10. Expenses Claim Form could be redesigned to include the areas referred to in 2.5 and to include reminders for members to:</p> <ul style="list-style-type: none"> • Enter as much detail as possible onto the claim form, including the name of the officer(s) approving the formal meeting between members and officers. • The option to claim 0.40p per mile rather than the 0.601p. • In the case of claiming civic expenses, after checking the Chairman's Claim form the Chairman's Secretary will attach the paper copy of the invitation to the 'pink' claim form. • To complete on the PC, or if hand-writing to use capital letters. <p>Payroll services should be consulted when the Expenses Claim Form is revised.</p>	<p>Agreed Democratic Services Manager September 2009</p> <p>Agreed Chairman's Secretary September 2009</p>			
R E S I D U A L R I S K					

Agenda Item 11

SMT / Audit & Governance Committee

29 September 2009

TC/BD



A programme of PIs for data quality checking by Internal Audit

Summary

A programme of Performance Indicators (PIs) relating to the 2008/09 year was drawn up for data quality checking by Internal Audit during April to June 2009. The objective was to ensure that performance indicators are correct and that their supporting documentation was adequate to satisfy the requirements of our external review agencies.

Internal Audit found that most PIs were either incorrect or needed remedial action. We are pleased to report, however that the recommendations made to Heads of Service were accepted and will be implemented to ensure PI reporting will be accurate and adequately documented in future years.

Recommendations

That the Audit & Governance Committee supports the recommendations made to improve the quality of council data.

a) **Reasons for Recommendation**

The recommendations are intended to help ensure the effectiveness of the arrangements in place to monitor the quality of the Council's published performance information and to report the results to members.

b) **Alternative Options**

None.

c) **Risk Considerations**

A failure to ensure the accuracy of the performance information used by members and officers will attract criticism from external review agencies. This may affect the council's assessment under CAA when it looks at how the council spends public money and ensures it is accountable for quality local services. Adverse criticism could compromise the Council's reputation and budgets.

d) **Policy and Budgetary Considerations**

There are no budgetary implications.

e) **Date for Review of Decision**

N/a

1.0 Introduction

- 1.1 Analysis of the council's National Indicators suggests that the Council needs to continue to improve both the accuracy of calculations and the adequacy of their supporting documentation.

1.2 The Communications and Improvement Manager had pre-selected 10 NIs which, in his opinion required to be audited. His reasons for selecting these NIs are set out against each NI in the next paragraph.

2.0 Details of the Review

2.1 NI 156 – Housing

Description – Number of Households living in Temporary Accommodation

Reason for selection: Affordable housing is one of the Council's priorities.

Review outcome:

- The reported figure (91 persons) should be 89 as 1 person had moved from council owned property to a Housing Association. Another held a secure tenancy (as reported below)
- The data relating to two tenants quoted the wrong address
- Our sample revealed the data held within the Housing System (Anite) was incorrect in five instances. We found inconsistencies between the PI data and the Housing System (Anite – rents module). These will be explained further in the audit report relating to Housing Needs.

Review recommendations:

- A formal process must be established to communicate tenancy changes between Housing Needs and Housing Rents.
- A periodic check should be carried out between the Tenancy Agreement and the data entered into the Anite system (Needs) to ensure details of the 'tenancy' are correct, (ie secured or non-secured).

2.2 NI 181 – Finance (Housing Benefits)

Description - Time taken to process Housing Benefit & Council Tax Benefits

Reasons for selection: Even though it had been audited by internal audit in 2007/08 as BV78A it was thought necessary to audit the new NI to verify the integrity of the system and as a follow up to the Systems Thinking Review.

Review outcome:

- No significant errors found

Review recommendations:

- None.

2.3 NI 182 – Environmental Health / Licensing

Description - Satisfaction of businesses with local authority regulation services for licensing and environmental health

Reasons for selection: This is a new Indicator and cuts across services and is therefore, more complicated to implement.

Review outcome:

- The reported figure of 75% was based on erroneous information that did not comply with the official definition. In addition, the figures had been calculated from just three surveys which, in our opinion, did not provide a fair representation of the business community or interaction types¹. A summary of our main concerns with this Indicator are detailed below:

¹ Visits, correspondence, telephone calls or email

- The Licensing team within Legal, Licensing and Democratic Services excluded license applications as they thought these were outside the scope of this National Indicator (they did not include the license application as an interaction – therefore all these will have been missed).
- The Council's regulatory services include environmental health and licensing. In our opinion, the licensing element of the Performance Indicator did not fairly represent the business community. We have based this opinion on the fact that there was only one survey undertaken in 2008/09 (for visits only, the other interaction types were ignored). The sample size of the survey was 16 clients but 50% of the sample were for village, community and church halls, which in our opinion is not representative of the wider business community.
- Monthly surveys were not carried out (as required by the NI definition). Our review found that just three surveys were completed during 2008/09, one survey as detailed above in November 2008 and two surveys by the Licensing team located within Environmental Health in September 2008 and October/December 2008.
- Both Service areas (being the Licensing team located within Legal, Licensing and Democratic Services and the Licensing team located within Environmental Health) interpreted the National Indicator definition incorrectly; their interpretation of 'business interactions' was taken to mean 'visits'. All other interactions were excluded¹.
- The Licensing team located within Environmental Health found it difficult to select equal sized samples from 'compliant'² and 'non-compliant'³ visits. This difficulty arises from the fact that very few of their visits result in a non-compliant finding.
- In December 2007 Internal Audit recommended that the Council's two Licensing functions (being the Licensing team located within Legal, Licensing and Democratic Services and the Licensing team located within Environmental Health) be amalgamated. This recommendation was agreed. The issue was raised subsequently on the Council's Annual Governance Statement throughout 2008/09 and monitored by the Audit & Governance Committee, but we note from the review that the recommendation has not yet been implemented.

Review recommendations:

- In future, data for survey should be selected from all regulatory interactions (ie: visits, correspondence, telephone calls or email).
- Surveys should be drawn proportionally from non-compliant and compliant regulatory interactions and should cover the wider business community.
- Surveys should be carried out on a monthly basis (as per the NI definition) and until the two separate teams have been amalgamated, these surveys should be co-ordinated to ensure that the wider business community is targeted and no business is sampled more than once in a 12 month period.
- A new process should be established that ensures all information from both Environmental Health and Licensing is collated, amalgamated and calculated according to the PI definition.

² Compliant with the requirements of the license issued

³ Non-compliant with the requirements of the license issued

2.4 Review of Air Quality Indicators

Air Quality Indicators are comprised of the following NIs

- NI 185a - CO2 % reduction from local authority operations
- NI 185b - CO2 total emissions from local authority operations
- NI 194a (i) - Air Quality, % reduction in local authority primary PM₁₀⁴ emissions
- NI 194a (ii) - Air Quality, tonnage reduction in local authority primary PM₁₀ emissions
- NI 194b (i) - Air Quality, % reduction in local authority primary NO_x⁵ emissions
- NI 194b (ii) - Air Quality, tonnage reduction in local authority primary NO_x emissions

Reasons for selection: These are new Indicators which involved participation from most officers within the Council and external organisations.

Background Information

The values for these Indicators are generated from a PI Spreadsheet managed by Devon County Council. The review carried out by Internal Audit focuses on the input to the model for the year - 2008 / 2009 (known as the 'base year').

Please note, this is the first year that data has been submitted and will be used as a basis for future comparisons, therefore it is imperative that the submitted data is both accurate and complete.

Review outcome:

Stationary Sources (ie Council buildings (not council housing), security lighting, car park ticket machines, public toilets)

- **Axe Valley Sports Centre** has been recorded in the PI Spreadsheet electricity usage of 1,389KWh – this should be 100,389KWh as reported by LED management.
- There is no recorded energy usage for the **Home Safeguard Call Centre** in Sidmouth though it operates a 24 / 7 service. Internal Audit can confirm that the total annual electricity usage for the **Call Centre** is approximately 21,000 KWh.
- **The Glen** in Honiton has no recorded Electricity Usage for security lighting.
- Two of the Council's **Public Toilets** had not had their electricity usage calculated or recorded:
 - *Castle Street, Axminster*
 - *Fore Street, Beer*
- **LED** – the gas usage for 2008 / 2009 is 22% higher than 2007 / 2008 and 15% higher than the average of the two previous years (ie: 2006 / 2007 and 2007 / 2008)

Transport Sources (ie SITA vehicles, Council vehicles and Members/Officers business mileage claims)

⁴ PM₁₀ 'Particulate Matter' (bits of matter in the air) of no more than 10 micrometers diameter

⁵ NO_x 'oxides of nitrogen' (ie: the sum of nitric oxide and nitrogen dioxide)

- At the time of the audit the details for **SITA vehicles** was not available and had not been entered into the PI Spreadsheet, therefore this data is missing.
- A report was produced by Payroll Services detailing **Officers & Members Expenses**, the values on this report were compared to the values in the PI Spreadsheet and were found to be significantly different in all cases.

Review recommendations:

The NI responsible officer should:

- Update the PI Spreadsheet with the correct electricity usage for **Axe Valley Sports Centre**.
- Review the data and include the annual electricity usage for the **Home Safeguard Call Centre**.
- Consider including an electricity usage estimate for **The Glen, Honiton**, based on the average for other security lighting schemes.
- Consider using an estimated electricity usage for **public toilets** in Castle Street, Axminster and Fore Street, Beer.
- Consider reviewing the accuracy of the 2008/2009 gas usage with **LED** management to understand why the usage for 2008/2009 is 22% higher than 2007/08.
- Enter the **SITA vehicles** data into the PI Spreadsheet and undertake a check to be confident that the data supplied is accurate and complete.
- Investigate the differences with regard **Officers & Members Expenses** between the data supplied by Payroll Services and the PI spreadsheet and update the latter if necessary.

2.5 NI 196 – Street Scene

Description - Improved street & environmental cleanliness – Fly Tipping

Reasons for selection: This is a revised Indicator with a new responsible officer.

Review outcome:

- Street Scene Services enter all incidents and related actions into a “Flycapture” computer system which is provided by the Environment Agency on behalf of DEFRA. All incidents and related actions are given a weighted value to reflect the size of the problem and the nature of the action taken by the Council. Internal Audit have confirmed with the Environment Agency that only data relating solely to fly tipping incidents should be entered into the Flycapture system.
- Street Scene’s responsibilities extend beyond fly tipping to include other incidents such as street litter, graffiti, trade waste left for removal by domestic refuse collectors FOC⁶ and the collection of dead animals from road accidents.
- After reviewing this PI we conclude that the requirements set out in the definition for producing this PI have not been fully understood by the PI responsible officer.
- Further details to substantiate our conclusion are detailed below:

⁶ Free of charge

- The Council has a responsibility to regulate the collection of trade waste, in instances of non-compliance a 'Duty of Care Order' can be issued. These Orders can also be issued to householders who place domestic refuse carelessly in the street. During our review we found that the Duty of Care Orders issued had erroneously been included in the data used to calculate the NI.
- The collection of dead animals from road accidents had also been erroneously included in the data used to calculate the NI. These account for around 21% of the reported incidents entered into the Flycapture computer system for 2008/09. We understand however, that no data was entered in 2007/08 but as these incidents have been allocated a low weighting value the effect on the PI is not significant.
- From the information available it would appear that the Council has been graded⁷ '3' ie 'not effective'. A significant factor in this low grade is likely to be based on no incidents or actions having been recorded in the Flycapture computer system until June 2008, (ie no data is available for 2007/08 and data for only 10 months of 2008/09). There is a risk that the incorrect data held within the Flycapture computer system could result in an incorrect grade being given by DEFRA for next year (ie for 2009/10).
- We found that the working papers and supporting documentation to validate and verify the data for the NI (held within the Flycapture computer system) extended to all incidents, not just fly tipping, (ie: all paperwork relating to the wider responsibilities of the Service such as street litter, dead animals, trade waste removal and graffiti). This made it difficult to corroborate the NI data held within the Flycapture computer system used in the calculation.
- It became evident that the responsible officer had not received appropriate training on the Flycapture computer system, in particular in the use of reporting tools. We understand the computer system can produce management reports that would simplify the verification of NI data.
- Of concern also was that up until the date of our visit, the actual weighted calculation had not been produced.

Review recommendations:

- The incorrect data (as specified in the paragraphs above) be amended within the Flycapture computer system.
- Discussions should take place with DEFRA and the Environment Agency to determine how the incorrect data can be amended in order not to distort future gradings.
- Non-fly tipping data (such as street litter, dead animals, trade waste removal and graffiti) should not be included in the weighted gradings or the calculation.
- Supporting documentation to verify the NI should be kept separately from documentation relating to other incidents.
- Relevant and appropriate training should be provided to the NI responsible officer on how to use the Flycapture computer system effectively.

3.0 Conclusion and General Recommendations

It became evident during our review that although managers had been given the actual NI 'definitions', they should also have been told explicitly to check for 'online' definitions which contained 'links' to further advice and/or guidance.

⁷ Based upon a two-dimensional matrix of incidents and actions split between increase, decrease or no change a grading is established as follows: very effective 1, effective 2, not effective 3 and poor 4.

The Management Information Officer will supply all responsible officers with information on where to obtain PI definition and reporting updates. The responsible officers will then need to monitor whether their own PI is amended during the year.

There is a need to clarify the roles and responsibilities of the responsible officer and the sign-off officer and these are set out below:

Responsible Officers

They are responsible for:

- gathering and collating data relating to the PI
- generating an accurate monthly/quarterly/annual figure
- entering a figure plus a comment (in the Management Notes section) onto the SPAR system
- keeping supporting documentation to evidence the figures generated
- monitoring for updates relating to the PI

Heads of Service

They are responsible for:

- interpreting the PI's definition (with the help of the Communications and Improvement Manager and Management Information Officer) and explaining this to the Responsible Officer
- setting up the process of data collection, collation and generation with the Responsible Officer
- assessing what documentation needs to be kept in order to maintain evidence to back up the figures, Internal Audit can advise if necessary.
- checking and authorising figures and comments before they are included in reports and or reported on the Data Interchange Hub or to a Government Office

4.0 Overall Audit Conclusion and Opinion

Although most NIs needed several recommendations they were all agreed by the various managers and heads of service with the exception of the licensing NI which has been referred to the Corporate Directors to resolve.

The fact that most NIs in our sample were found to be either incorrect or needing remedial action means that Internal Audit cannot offer substantial assurance to senior management that other NIs are correct with adequate supporting documentation.

We can however, give a positive opinion in so far that we can offer adequate assurance if the recommendations that were agreed by managers and heads of service are implemented. If so, this will greatly improve our NI reporting in future years.

Legal Implications

No observations are needed.

Financial Implications

No direct financial implications.

Background Papers

Audit Assurance – Opinions; BVPI Report by Audit Contractor (DH)

Tanith Cox
Bob Darbourne

Audit & Governance Committee
29 September 2009

2009-10 ACTION PLAN – A PROGRAMME OF PIS FOR DATA CHECKING BY INTERNAL AUDIT		Receiving Officers: SMT / Council Members Responsible for Reply: SMT		
Audit Officer – DH – Contract Auditor & Tanith Cox				
PI Responsible Officers and/or Heads of Service	Actions agreed by	Implementation date and officer responsible	FOLLOW UP SECTION	
			Auditor Notes	HoS Confirmation of compliance Actual Date of Implementation
2.1 NI 156 – Housing	A formal process must be established to communicate tenancy changes between Housing Needs and Housing Rents. A periodic check should be carried out between the Tenancy Agreement and the data entered into the Anite system (Needs) to ensure details of the 'tenancy' are correct, (ie secured or non-secured).	Agreed DB September 2009 Agreed DB September 2009		
C U R R E N T R I S K			R E S I D U A L R I S K	
Yellow			Green	

	Actions agreed by PI Responsible Officers and/or Heads of Service	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation	
C U R R E N T R I S K	<p>2.3 NI 182 – Environmental Health / Licensing</p> <p>In future, data for survey should be selected from all regulatory interactions (ie: visits, correspondence, telephone calls or email).</p> <p>Surveys should be drawn proportionally from non-compliant and compliant regulatory interactions and should cover the wider business community.</p> <p>Surveys should be carried out on a monthly basis (as per the NI definition) and until the two separate teams have been amalgamated, these surveys should be co-ordinated to ensure that the wider business community is targeted and no business is sampled more than once in a 12 month period.</p> <p>A new process should be established that ensures all information from both Environmental Health and Licensing is collated, amalgamated and calculated according to the PI definition.</p> <p>Yellow</p>		<p>The recommendations specified by internal audit have either not been agreed or only agreed in part the reasons being:</p> <ul style="list-style-type: none"> - There is a continuing problem with EHs computer system which is holding back any progress with this indicator. <p>The licensing team is in the process of taking over the administration of some of the EH licensing but the two separate teams are not amalgamating.</p> <p>There is a lack of dedicated resources within Licensing and EH. Although Housing's Information & Analysis Officer has been asked to report the survey results he has not been receiving complete or consistent data.</p> <p>Internal Audit recommend that a working group be convened and is driven forward by either Peter Jeffs or Diccon Pearse.</p>		Green	R E S I D U A L R I S K

	Actions agreed by PI Responsible Officers and/or Heads of Service	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation
C U R R E N T R I S K	<p>2.4 Review of Air Quality Indicators</p> <p>The NI responsible officer should:</p> <p>Update the PI Spreadsheet with the correct electricity usage for Axe Valley Sports Centre.</p> <p>Review the data and include the annual electricity usage for the Home Safeguard Call Centre.</p> <p>Consider including an electricity usage estimate for The Glen, Honiton, based on the average for other security lighting schemes.</p> <p>Consider using an estimated electricity usage for public toilets in Castle Street, Axminster and Fore Street, Beer.</p> <p>Consider reviewing the accuracy of the 2008/2009 gas usage with LED management to understand why the usage for 2008/2009 is 22% higher than 2007/08.</p> <p>Enter the SITA vehicles data into the PI Spreadsheet and undertake a check to be confident that the data supplied is accurate and complete.</p> <p>Investigate the differences with regard Officers & Members Expenses between the data supplied by Payroll Services and the PI spreadsheet and update the latter if necessary.</p> <p>Yellow</p>	<p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p> <p>Agreed DB September 2009</p>			R E S I D U A L R I S K
					Green

	PI Actions agreed by Responsible Officers and/or Heads of Service	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation	
C U R R E N T R I S K	<p>2.5 NI 196 – Street Scene</p> <p>The incorrect data (as specified in the paragraphs above) be amended within the Flycapture computer system.</p> <p>Discussions should take place with DEFRA and the Environment Agency to determine how the incorrect data can be amended in order not to distort future gradings.</p> <p>Non-fly tipping data (such as street litter, dead animals, trade waste removal and graffiti) should not be included in the weighted gradings or the calculation.</p> <p>Supporting documentation to verify the NI should be kept separately from documentation relating to other incidents.</p> <p>Relevant and appropriate training should be provided to the NI responsible officer on how to use the Flycapture computer system effectively.</p> <p>Yellow</p>	<p>Agreed - AH September 2009</p> <p>Agreed - AH September 2009</p> <p>Agreed - AH September 2009</p> <p>Agreed - AH September 2009</p> <p>Agreed - AH September 2009</p>			Green	R E S I D U A L R I S K

	Actions agreed by PI Responsible Officers and/or Heads of Service	Implementation date and officer responsible	Auditor Notes	Head of Service Confirmation of compliance	Actual Date of Implementation	
C U R R E N T R I S K	<p>3.0 Conclusion and General Recommendations</p> <p>The Management Information Officer will supply all responsible officers with information on where to obtain PI definition and reporting updates. The responsible officers will then need to monitor whether their own PI is amended during the year.</p> <p>There is a need to clarify the roles and responsibilities of the responsible officer and the sign-off officer as set out in the main report.</p> <p style="text-align: right;">Yellow</p>	<p>Agreed BD August 2009</p> <p>Agreed BD August 2009</p>			<p>Green</p>	R E S I D U A L R I S K

FULL ANNUAL GOVERNANCE STATEMENT

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

Scope of Responsibility

This Statement describes the process of maintaining and reviewing the effectiveness of the Council's governance arrangements and provides a thorough and comprehensive understanding of the results of the review. A summary version of this Statement has been produced and is available on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

East Devon District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. To facilitate this, the Council has ensured that there are sound systems of internal control underpinning its operations and functions. This includes a robust framework for corporate governance arrangements, including the management of corporate and operational risks.

The Council has revised its Local Code of Corporate Governance in line with the CIPFA/SOLACE Joint Working Group Guidance and framework entitled "*Delivering Good Governance in Local Government*". A copy of this code is on our web site or can be obtained from the Council Offices, Knowle, Sidmouth EX10 8HL.

The Council is committed to the six core principles set out in its Local Code and has undertaken a thorough review of its corporate governance arrangements; both as a precursor to the preparation of this Statement and at regular intervals throughout the year. Appended to this Statement is an action plan that highlights areas for improvement found both during the recent review of corporate governance and from the reviews throughout the year.

The Council's governance framework consists of the following:

- Corporate strategies and plans focussing on the main priorities of the Council in terms of delivering sustainable outcomes for the community; such strategies and plans are supplemented by lower-level policies and procedures.
- Internal working arrangements to ensure members and officers work together to achieve the Council's main priorities and that their roles and functions are clearly defined.
- Continuous promotion of the values of the Council and a demonstrable commitment to uphold high standards of conduct and behaviour.
- Transparent decision making which is subject to scrutiny and informed by effective risk management.
- A commitment to develop the capacity and capability of members and staff to ensure their continued effectiveness.
- Effective engagement with local people and other stakeholders to ensure robust public accountability.

The purpose of the Governance Framework

The Council views the maintenance and effectiveness of its governance arrangements as a high priority and has put the following measures into place to ensure its continued effectiveness:

- Developed and promoted its vision and core values, and aligned these to reflect the needs of the community.
- Ensured that its partnerships are underpinned with the same vision and values and that adequate corporate governance arrangements are maintained.
- Published its Corporate Business Plan which sets out the Council's priorities and describes how 'quality of service' for users is to be measured and maintained.
- Devised a methodology to measure its environmental impact upon the community and surrounding area.

The Council has ensured that its governance arrangements are thoroughly reviewed and inspected throughout the year and has:

- Established a Corporate Overview Committee which reflects the voice and concerns of the public and its communities so as to make an impact on the delivery of public services. The Scrutiny Committee takes the lead and owns the post decision scrutiny process (in its widest sense) on behalf of the public with a view to making and improving the delivery of public services.
- Formed an Audit & Governance Committee with wide-ranging terms of reference including the requirement to consider the effectiveness of the authority's governance arrangements, taking into account corporate risk management, the control environment and associated anti-fraud and anti-corruption arrangements.
- Arranged for a Standards Committee to promote and maintain high standards of conduct by members, to consider reports and make recommendations concerning the governance and ethical standards of the Council and advise on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols.
- Designated a Council director as Monitoring Officer to ensure compliance with established policies, procedures, laws and regulations. After consulting with other directors and the Head of Paid Service, the Monitoring Officer will report to the full Council if they consider that any proposal, decision or omission would give rise to unlawfulness or maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.
- Maintained an internal audit service which operates to the standards set out in the "Code of Practice for Internal Audit in Local Government in the UK". Internal audit are responsible for monitoring the effectiveness of systems of internal control. The Service operates to a 5-year audit plan which is approved by the Audit and Governance Committee and from which the annual audit coverage is identified. Reporting protocols require audit reports to be submitted to the relevant corporate director and the head of service. The report includes recommendations for improvements that are detailed on an action plan.

The Council's Internal Audit function is subject to regular inspection by the Council's external auditors.

This review of governance arrangements has been comprehensive and has taken into account the aspirations highlighted within the Audit Commission's Corporate Governance Key Lines of Enquiry and measures the Council's compliance with the KLoEs and provides a thorough and detailed representation of the Council's arrangements.

Affiliated work has also taken place within each service area of the Council with each Head of Service undertaking a "control risk self assessment" exercise culminating in the production of a 'compliance schedule'; these schedules allow Heads of Service to self-assess their systems and processes for actual or potential control deficiencies, ultimately the "compliance schedule" will highlight any deficiencies within the service area; a plan of action is agreed with the Head of Service to rectify any areas of concern.

This Governance inspection has taken into account the Corporate Governance Key Lines of Enquiry and hinges around 4 themes, each theme examines different aspects of corporate governance. These themes are:

Theme 1: Community focus – covering understanding of local needs, vision, access to services, communications and partnerships.

Theme 2: Structures and processes – covering democratic accountability, decision making and planning.

Theme 3: Risk management and internal control – covering financial, performance, risk and project management.

Theme 4: Leadership, culture and standards of conduct – covering community, political and managerial leadership, member-officer relationships, ethical standards and behaviour.

Each theme encompasses up to eight Key Lines of Enquiry focusing on each aspect of the Council's governance arrangements, including its organisation, aspirations and achievements in each of the theme areas.

The Council has made excellent progress in recent years to meet the challenges within the corporate governance Key Lines of Enquiry and this Corporate Governance Statement sets out the Council's stall in this respect.

This Corporate Governance Statement provides the following assurance:

1. That the Council's governance arrangements are adequate and operating effectively in practice, and
2. Where reviews of the governance arrangements have revealed gaps, action is planned that will ensure effective governance in the future.

Review of Effectiveness

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

The review of effectiveness is informed by the work of the Heads of Service within the Council who have responsibility for the development and maintenance of the governance environment, the Internal Auditor's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

Theme 1 - COMMUNITY FOCUS

- The Council can demonstrate a good understanding of local needs and has produced a Community Engagement Policy and Guide and holds regular Community Engagement Group meetings. The Council part funds and supports the East Devon residents' "Speak Now" panel which has 300 members, for engagement purposes. The Council has also initiated several general surveys of local citizens. Other surveys and Focus Groups include Council Housing Status Surveys, Environmental Health Focus Group, Development Control Agents Forum. The Leaders' 'transformation exercise' (as in previous similar budget reviews) has included independent reviewers. The Council uses a 'social inclusion tool' which promotes equalities between hard to reach groups within our community. The work to bring the Council into line with the Sustainable Communities Act planned for 2009 will also rely on public involvement.
- An effective strategic approach to research and consultation has been demonstrated and the Council has employed an Engagement and Funding Officer who facilitates various consultation groups. The Council also contributes to a multi-agency funded officer who seeks the views of hard to reach groups. The Council funds and liaises with the Devon Race Equality Council.
- Various youth groups throughout the district have been set up including a BMX Inline Skating event. The Council has funded the "Fun in the Sun" youth engagement project and funded the "Scene and Heard" youth panel. Details of research and consultation have been published on the Council's website. The Council takes part in the national 11 Million Day annually and invites 10-11 year olds into its offices to engage with members and officers.
- Shared learning can be demonstrated across services via monthly strategic management team meetings. The 'news and views' sessions for managers have a section on shared learning. Externally, shared learning can be evidenced by our work with our partners, in particular with the Local Strategic Partnership and joint work resolving issues in Honiton and Axminster.
- The Council's vision has been translated into organisational 'priorities' via its Corporate Strategy and Corporate Business Plan. It has identified its 'priorities' in a coherent way utilising a 'visioning' exercise. This exercise included public consultation and involvement
- The Council is pro-active in its engagement with the community in planning and designing services, especially when different criteria are available for selection, some good examples of this are the work we have done dealing with gypsies and the consultation process surrounding discussions and decision making. The Council has also funded an information and analysis officer working within the Housing and Social Inclusion Service. The Council has adopted a Participatory Budgeting approach to spending most Section 106 monies which involves community events.
- The Council attempts to promote participation in debate and decision-making and Council meetings are open to the public, and members of the public can now be more

involved in the determination of planning applications. A new initiative to allow public speaking at committee and council meetings has been enthusiastically supported.

- In an attempt to engage all Councillors, the Council arranges for parish, town and district Councillors to meet twice yearly to encourage debate and joined-up decision making.
- Partnerships are important to the Council and demonstrate a willingness to engage with other sectors of the business community including the third sector. The Local Strategic Partnership comprises representatives from the County Council, Primary Care Trust, the Police, voluntary sector, Enterprise Agency and Devon Association of Parish Councils and Chamber of Commerce. The Council also participates in the Crime and Disorder Partnership
- The Council has mapped its partnerships and has arranged a top-down review of its partnerships to ensure adequate and effective corporate governance arrangements exist within each one. The Council has a partnership policy and a partnership framework.
- Partnerships feature within the Council's Financial Regulations including procedures for working with the voluntary sector.
- We have been pro-active in seeking partners across key sectors of the community, examples include the regeneration schemes for Seaton, Exmouth and the West End, AONB, Housing Repairs, County-wide Home Improvement Agency and Devon Youth Association. The Council develops partnerships where appropriate to deliver and improve services and funds the CAB to give specific housing advice, a further example is the Council's partnership with Leisure East Devon (LED); a substantial grant is made available to LED to support health and sports activities in the area.
- The Council has taken steps to adequately monitor and review its partnerships and has engaged with outside review bodies to ensure continuous improvement in governance and outcomes.
- Equal access for all is encouraged throughout the Council's service areas, a range of access channels are available including housing benefit surgeries at locations where there is a proven need.
- The CSC (Customer Service Centre) has been implemented for just over two years and is constantly adding value to the service provided to the customer. As services have been migrated into the call centre the customer service advisor has become multi-skilled with training provided to answer any call presented to them on a 'one and done' basis.
- Constant telephone monitoring and coaching allows the Council to evaluate the call and provide feedback to the customer service advisors to enhance skills further which results in providing a better service to customers.
- A Customer Relationship Management system; 'Lagan', has been implemented as part of the Customer Service Centre. This is proving to be an effective method of dealing with many of the general customer enquires to the Council and also provides many one-stop-services at first point of contact.
- The Lagan system is linked to a powerful reporting tool; Business Objects, which enables any data stored within the Lagan system to be used for information. The use

of Business Objects as the Council's standard tool for reporting is being spread across the Council. This will start with a review of the production of Performance Indicators in 2009.

- The Council is continuing to develop its on-line facilities and provide a modern, useful and easily accessible website. All Council agenda and minutes are available for public inspection as are top-level policies, plans and strategies.
- The ICT Strategy was created with the assistance of an ICT Taff (Task and Finish Forum), which also reviewed the investment made by the Council in e-government to date and found it to be cost effective. The ICT Strategy was produced at the same time as the Corporate Strategy with the intention of cross integration between the two. The ICT Strategy also links into key policies, council strategies and service plans.
- While the e-government programme was in place the Council had e-Champions and a dedicated committee – the committee was wound up once the deadlines for e-government were met.
- The Council has now fully embraced the IT-Government agenda and is actively transforming its services to best meet customer needs. The “Vanguard, lean systems thinking” is being spread across the Council. Where ICT requirements emerge from this review, projects will be put into place to deliver what is needed.
- ICT resources have been applied to meet the Council's strategies, as identified in the latest ICT Service Plan (2009-2012). These plans are very likely to be modified as a result of the Leaders' 'transformation exercise' being carried out during the summer of 2009. Project resources are allocated as each project is approved by the IT Programme Board. Transformation is being actively carried out by teams lead by a corporate director.
- Reduction in the duplication of data and the ability to have common data sources across the Council is a key driver of systems design and integration.
- Councillors and staff have access to technology to enable them to communicate by email and to access council systems via the network. There are protocols governing misuse of the council's computer systems and an Information Security Policy has been rolled out with both officers and council members signing up to it.
- When new systems are required or improvements become necessary to existing systems, a business case is prepared that sets out the reasons for the change and the cost/benefits of making the change. All system procurements or system changes are carried out using the Prince2 project management tool. Post implementation reviews are part of the process. Each procurement or major change involving IT is monitored by the IT Programme Board.
- The Council now has a modern ICT infrastructure as a result of the e-government initiatives and includes a virtual server array and a storage area network. One of the last steps being completed is the change from Novell to Microsoft. Other changes are being considered, especially to keep pace with the changes in method of communication.
- The council has procedures in place to properly consider and evaluate alternative providers. However, ongoing contracts, especially high spending ones such as telecoms, are reviewed at contract renewal times or earlier as the market dictates.

- The Council are aware of developments outside its area, and makes contributions to sub-regional work at District level. Analysis is made of the "Place Survey" undertaken in 2008/09 and reference is made to the "Tenants Status" survey and to our partners' data to ensure that our knowledge base is up to date and adequately reflects the needs of our community.
- All this work is aimed at realising the potential of the area and addressing the needs of the sub-region. This is best illustrated by the work the Council is doing with the New Growth Point. We have established the New Growth Point Steering Board with Exeter City Council, Devon and the regional bodies, SWRDA, GoSW, The Assembly, the Housing Corporation, Natural England and the Environment Agency and Highways Agency. The Council's Leader is chairperson and we provide the secretarial and officer support. The purpose of the New Growth Point Steering Board is to provide the leadership to meet the sustainable community needs of the growth area to the East of Exeter. These are initiatives aimed at meeting the regional and sub-regional agenda. The New Growth Point work also picks up intelligence at national level and uses this to secure funding and support to our sub-regional agenda.
- The Council supports the East Devon Business Forum, providing secretarial and officer support, as a vehicle for assessing and responding to the economic needs of the District. We fund business support through collaboration with Business Link and Business Information Point, West Devon. We are a partner (and the Council's Leader is Chairman) of the Exeter and Heart of Devon Economic Partnership which is established to assess and respond to the economic needs of the four component district council areas and the sub region.
- Effective leadership and co-ordinated delivery structures have resulted in the Council achieving a BS Accreditation for its building control team and a Customer Excellence Award for environmental health.
- The Council has a wide range of policies ranging from equality and diversity to home energy and conservation which help address the district's broader social, economic and environmental issues. The Council is actively working on producing a practical sustainability impact review and is taking steps to capture information relating to its carbon footprint. Individual service plans reflect the priorities contained within the corporate strategy but are dedicated to providing sustainable or improved service quality and value for money.
- The Council has a Communications Strategy (revised in April 2008) and a Communications Officer who ensures the scope and standards within the Strategy are adhered to. The Council has a Communications and Consultation Support Officer to assist with press releases and media statements and community engagement activities.
- Communication skills training is available for Councillors and members of staff and the Council has a Learning and Development Brochure which gives details of the wide range of training opportunities available to members of staff. All documents are written in plain language and the Council offers 'Plain English' training to those responsible for producing documents that may be read by members of the public.
- The Council publishes, or co-publishes a range of different literature for distribution either internally to staff, or externally to citizens, examples include 'Housing News', Tenants Newsletters, 'East Devon Talk', 'The Knowledge'; a publication focussed on Councillors' needs and 'Team Brief'; a publication specifically for members of staff.

- The Constitution and the Corporate Business Plan communicates the Council's structures and processes, and both are published on the Council's website. Internal and external directories are available, including the Councillors' Year Book; Residents' Service Guide and the Council Tax booklet which is also on the internet.
- A Communications Task and Finish Forum (TAFF) has considered the Council's communications function, monitored its progress and produced an 'action plan' to ensure improvements were made with the Council's communications

Theme 2 – STRUCTURES AND PROCESSES

- The Council can demonstrate that its corporate and service planning processes are comprehensive and consistent by the following examples; The Council's performance management framework consists of the Corporate Strategy, Service Plans, performance indicators and individual Performance Excellence Reviews. These are monitored on a regular basis by the Executive Board, Scrutiny Committee and managers. The service planning cycle encompasses our key strategies, eg the Corporate Strategy and the Corporate Business Plan. A timetable exists for preparing plans for service delivery and financial management up to 2012. Specific standards for service plans are enforced by the adoption of a 'service plan template' and 'guidance notes'. Responsibilities for ensuring standards are applied and that they comply with the timetable rests with officers within the Council's Communications and Improvement Team.
- Quarterly monitoring and review of Performance Indicators and Service Plan actions have kept them in focus by staff and Council Members. The Scrutiny Committee examines any poor performance identified by performance indicators. The first services to be subjected to the "Vanguard, lean systems thinking" reviews were selected on the basis of poor performance.
- Cross-departmental planning can be evidenced by the plans drawn up between directorates and by both strategic management and corporate management. Cross-departmental working is encouraged by the formation of project groups, examples of these are the Equality Standard Steering Groups, Task and Finish forums and Think Tanks, all of which involve officers at all levels and Councillors. Some project groups also include stakeholder participants such as the Housing Review Board and the Community Engagement Group. The Council's staff newsletter 'Team Brief' contains articles relating to cross-department working to encourage shared learning.
- Procurement, taking into account partnerships and working with the third sector are included within the Procurement Strategy, and financial instructions relating to partnerships feature widely in the Council's Financial Operating Procedures.
- All Council plans, policies and strategies contain revision dates, the Council has a 'policy register', available to staff on the intranet, the policy register allows access to either the full document or provides a summary version for quick review.
- The Council is meeting its duties for improvement under the Local Government Act and has published information in the Council Tax Booklet and the Corporate Business Plan the latter of which is on the Council's website. Service improvements are monitored via Service Plan monitoring reports and associated action plans.
- The Council can evidence that it takes account of user data by reference to its Community Engagement Policy and service plans, it has also convened a Community Engagement Group to help develop council priorities.

- The Council uses a Consultation Calendar which helps to ensure all relevant documentation; such as reports, policies or strategies are available widely for consultation. The Council's research reports provide an understanding of the needs of different and diverse communities (recently conducted the 'Place Survey') and the Council has adopted an Equality and Diversity Policy.
- The services provided by the Council attempt to reflect the needs of citizens and meet their expectations; the Council has published service information such as leaflets and website 'information pages', and will produce documents in 'Braille' and 'large print' upon request. The Council offers many services directly to citizens in the form of 'home visits' applicable to residents and business premises visits to check health and safety and environmental compliance. The Council also provides a home safeguard facility for its elderly residents. This latter service has recently undertaken a thorough review of its 'disaster recovery' arrangements to ensure the continued well-being of our Home Safeguard users.
- Services are flexible and can be adjusted to accommodate changes in needs or legislation, Service plans ensure flexibility and/or that changes are made and that these changes are monitored.
- The Council has an Organisational Development and Workforce Strategy and many associated strategies and/or policies designed to support and enable the Council's Corporate Strategy. All have been ratified by the Council. There are also high-level 'managers' guides' outlining procedures for dealing with staffing issues.
- Legislative changes are picked up through professional journals, electronic updates, course attendance and alerts from the Institute of Personnel Managers. When legislation requires policy changes or new legislation, policies are drafted and agreed with the Staff Joint Forum and SMT and ratified by the Council. Recent new policies include changes to staffing policies such as Absence Management Policy, Flexible Working Policy, Discipline and Grievance Policy. Some legal changes are dealt with by updates in internal council processes.
- The Council monitors disability, gender and ethnicity of its workforce and attempts to monitor this information regarding applicants. However, this is not robust as people do not always provide this information. We are moving towards on-line Application Forms and these fields will become mandatory which will assist our monitoring.
- When advertising our situations vacant the Council uses the 'Disability' symbol to encourage applications from disabled people.
- The Council has robust procedures relating to capability, sickness and absenteeism, discipline and grievance. All are embodied in the Disciplinary Policy, Grievance Policy, Absence Management Policy, Acceptable Behaviour Policy, Dealing with Unsatisfactory Performance Policy and the Code of Conduct for Employees. There is also a 'Managers' Guide' dealing with discipline and grievances.
- Sickness data is captured on Return to Work forms and/or doctor's sickness certificates. On a regular basis, payroll staff compare sickness records against the Council's Interflex system (time recording system) to verify data. All sickness data is recorded in the Council's payroll system and is monitored monthly. A detailed report regarding sickness absence is provided to the Strategic Management Team on an annual basis.

- Staff turnover is monitored and a report is made available to both strategic management team and the Executive Board on a quarterly basis. Trends are summarised annually in the People Data Report which is made available to the strategic management team.
- A staff survey was carried out in 2008. Staff morale and satisfaction was also explored through the March 2009 Investor in People assessment which was very positive and led to successful retention of the liP status.
- Health and safety guidance and training are provided as the Council has employed an Health & Safety Officer who runs various courses and refresher courses and implements appropriate health and safety policies. The legal service has an input in raising awareness on major changes, such as corporate manslaughter.
- The Council has robust personnel procedures relating to recruitment, staff pay records, secondment and contractors. All are embodied in the Employees Handbook, Policy on Local Government Pension and the Job Evaluation Policy. There is also a 'Managers' Guide' dealing with recruitment. There have been no referrals to industrial tribunal from EDDC staff.
- The Council takes steps to match staffing to current and planned needs and has an up to date Workforce Development Strategy. The Council also has a process for succession planning. The Council takes a broad approach to learning and development and has implemented a process of Performance Excellence Reviews which concentrate on both performance and areas for development. 'Back to the floor' sessions are encouraged for Directors, Heads of Service and Middle Managers as it is recognised that this helps managers stay in touch.
- The Council participated in the 'Best Councils to Work For' survey in 2007 and 2008. This survey is conducted by Best Companies, an independent and authoritative research company that specialises in Workplace Engagement and is sponsored by The Times and the IDeA. The results of the survey in 2008 led to a corporate improvement plan and service action plans
- "Happy, Healthy, Here" (Stress) Audits are conducted across the Council using the Health and Safety Executive model. Action plans are developed with the managers and teams to tackle any issues arising. The organisational development team monitor these action plans to ensure that actions are implemented.
- The Learning and Development Manager keeps records of staff that have taken up training / coaching / shadowing and/or secondment opportunities. The Council evaluates its training programmes by utilising a specific Training Evaluation form required to be completed by course attendees. These forms are monitored to ensure training needs are met and expectations satisfied.
- The Council has rigorous procedures for monitoring personnel strategies and all are reviewed on an annual or bi-annual basis. The review process is monitored by the Communications and Improvement Team who ensure reviews are completed. Any action plans arising from or emanating from the above policies are monitored either by individual directors or the Council's Strategic Management Team (SMT).
- The Constitution can demonstrate that the Council's structures are in line with the Local Government Act 2000 and are appropriately constituted, fit for purpose and Councillor and officer delegation has been defined. Corporate structures ensure that appropriate standards regarding performance management, internal controls and

communications are consistent and applied throughout the Council. This can be evidenced by SMT meeting minutes and from the Performance Excellence Reviews.

- The Council keeps its organisational and officer structures under review, having last been reviewed in 2007 a further review is scheduled for 2009. Improvements have taken place with the allocation to the Council of a BS accreditation and a Customer Excellence Award. The Council also secured a 'Good' CPA score.
- Executive, scrutiny and regulatory functions are supported with effective work planning and officer briefing, this can be evidenced by the Council's forward programmes with Overview/Scrutiny Committees and Executive Board pre-meetings all commonplace. Licensing and Enforcement Committee receives a quarterly report so service delivery and strategy outcomes may be monitored.
- Councillors are supported by the Monitoring Officer and her deputy and know that they can readily seek advice from them and from the Democratic Services team on Code of Conduct matters.
- The Council uses internal and external audit and other inspection agencies to support scrutiny activity; this is reported through the Audit and Governance Committee. The Overview/Scrutiny Committees (including Housing Review Board) pro-actively support the Council's strategic objectives and this can be evidenced by the annual reports considered at the annual meeting of the Council.
- The Council's Asset Management Forum is made up of senior officers and council members and has developed the Asset Management Strategy. This document contains the council's Corporate Property Asset Management Plan 2009/12. The Asset Management Plan seeks to ensure that council assets are used in the most effective way to support the delivery of the corporate strategy. It also provides an overview of the Council's property portfolio and provides an illustration of how the property assets owned by the Council support its corporate priorities.
- Consultants have been instructed to carry out a review of the Council's main administrative centre at the Knowle and to suggest possible alternative locations. This study is linked to the 'Accommodation Review' where services have been asked to consider their present and future accommodation requirements which will feed into the Asset Management Plan.
- This process will provide an assessment of the use, suitability, condition, and occupation of council property supporting each of the council's services, and will form the basis of an Accommodation Strategy and will project future trends. The Accommodation Strategy will highlight future funding and workforce development plans which will need to be taken account of when considering our future property requirements.
- The council has commended a property review which will challenge asset ownership through an assessment of efficiency, effectiveness and affordability.
- Responsibilities have been assigned for maintaining the Council's non-housing assets to the Property Services team. This team also maintains the Council's Planned Maintenance System. The team carries out a rolling programme of surveys on Council property to ensure all assets are in reasonable condition and responds to essential works and maintenance where necessary.

Theme 3 – RISK MANAGEMENT AND INTERNAL CONTROL

- A strategic approach to the Council's performance monitoring and management is in place, adequate resources are available for its delivery and lead responsibility has been assigned to a corporate director, who actively monitors the performance management framework and ensures that the performance of services is reported regularly to the Council's Executive Board.
- Performance monitoring and management covers key areas of the Council's activity. Significant documents contributing to the process are the corporate strategy, service plans, performance indicators and performance excellence reviews. These documents demonstrate the link from the highest priorities of the Council, through its service plans to individual staff performance reviews. The Corporate Strategy is monitored quarterly, service plans and performance indicators are monitored quarterly, with additional scrutiny of poorly performing PIs.
- The Council has a bespoke computer system designed to provide PI information, this system is administered by the Council's Communications and Improvements Team. There is a timetable for preparing plans for service delivery and financial management up to 2012.
- Staff are fully engaged in the performance management process; service planning days are designed around operational plans, teams and individuals have an opportunity to contribute on several levels. Staff awareness seminars and specific corporate and middle management meetings are held regularly to inform all levels of staff of the Council's performance and to engage them in any corrective action that may be necessary.
- The Council has made its performance information available to a range of different stakeholders from members of the public to individual staff members. Performance monitoring reports are presented to members and are available on the Council's website. The Corporate Strategy and other key documents are also on the Council's website.
- The Council has a staff appraisal scheme in the format of 'Performance Excellence Reviews'. These reviews allow managers and staff to monitor individual objectives and to highlight any training needs. The performance excellence reviews have been universally applied throughout the Council, compliance is monitored by the human resources team. The targets for staff are linked to service plans, and clearly show the link to the Council's priorities and to its corporate strategy.
- The performance excellence reviews are followed up in regular one-to-one meeting where progress is monitored against individual targets. Good performance is celebrated and the Council has introduced Bouquets in its Team Brief and a Staff Recognition Scheme. Poor performance is dealt with during one-to-one meetings and if necessary through the Council's disciplinary procedures.
- The Council has procedures in place to monitor feedback from consultation and complaints and has a Complaints Officer who with directorate complaints officers, deals promptly and efficiently with complaints received from the public, These are monitored and any lessons learned disseminated to staff during corporate and/or middle management team meetings. The Audit and Governance Committee also receives a quarterly report of any complaints that involve a failure in the Council's policies and procedures. The Local Government Ombudsman's Annual Report on the Council is considered by the Executive Board.

- The Council has defined the roles and responsibilities for Councillors, directors and the Section 151 officer in respect of stewardship of the Council's resources in its financial regulations; these financial regulations are complemented by detailed financial operating procedures and contract standing orders. All three documents were revised during 2007, follow best practice and are modelled on CIPFA Guidelines. They are to be further revised during 2009.
- The status of the Council's financial regulations is made clear within the documents, they are supported by a range of ethical policies, including anti-fraud, theft and corruption and the whistle blowing policy.
- All financial policies are available to staff on the intranet, but in addition to this, the financial regulations, financial operating procedures and contract standing orders have been communicated to staff via dedicated training sessions within each directorate of the Council.
- Following their revision in 2007, the Council's financial regulations and financial operating procedures contain information relating to partnerships and contracting with the third sector.
- The Section 151 officer approves all financial policies, strategies and plans and is a member of the Strategic Management Team.
- Although the Council has established a systematic strategy, framework and process for managing risk the Risk Management System is not up to date and does not adequately identify and manage corporate risk. Neither has the corporate risk register been formally updated and reported to the Audit & Governance Committee. This is the subject of an officer/member working group chaired by the Risk Management Champion, the terms of reference of which are to procure a new corporate risk register and revive the corporate risk management process. This will be rolled out during 2009.
- Notwithstanding the above concerns, the corporate risk management process is still fairly well embedded within the Council; routine decisions placed before committees include a risk assessment, and corporate initiatives such as the Council's recycling arrangements and its regeneration schemes at Seaton and Exmouth have all been informed by risk assessments.
- The Council has appropriate protocols in place for the approval and management of key projects by means of the IT Programme Board which meets regularly to agree new ICT projects and monitor progress of the implementation of existing projects.
- Changes to the live ICT infrastructure are formally managed through an ITIL-based change management process which is continually evolving to optimise control.
- The Council has robust procedures in place for project management and utilises the Prince2 project management methodology. Each project follows the basic PRINCE2¹ processes and include a Project Initiation Document (PID) and risk assessment. Most Project Managers have been trained to Practitioner level and may run several projects concurrently.

¹ Project Management Methodology

- Selection of external project managers follows the normal staff selection procedure, Project managers from third party suppliers always work alongside the Council's staff.
- To ensure that Equality and Diversity is taken into account within projects an appropriate section has been introduced into the PID.
- Progress and outcomes are reviewed during and after the project and can be demonstrated by reviewing the IT Programme Board minutes and post implementation reviews of major IT systems. Plans are in place to disseminate all project information more widely via the intranet
- The Council has defined the nature and frequency of financial reporting within the Council's financial regulations and financial strategy, Monthly monitoring reports are considered by SMT and the Executive Board. The Monthly Monitoring Reports seek to forecast the year-end balances and, where appropriate, the action to be taken to correct variations.
- The Monthly Monitoring Reports take into account any budget revisions and identify and monitor budgetary risks. An annual report is made in January / February outlining any new budget proposals to the Executive Board and then approved through Council.
- Budget holders are given reports of their budgets on a monthly basis together with written instructions of year end processes and budget preparation. Financial Regulations contain additional information. The Council presents its Revenue and Capital Out-turn Report to the Executive Board annually in June.
- In addition to monthly monitoring the Council identifies over and under-spends at year end and these are contained within the Capital and Revenue Out-turn Report.
- Key Councillors have received training on interpreting the Council's Statement of Accounts. The Council's financial regulations and associated procedures also attempt to clarify and explain the budgetary and financial arrangements of the Council. Lower level procedures have been written to further explain the Council's financial processes.
- The Capital and Revenue Out-turn Report and the Council's Statement of Accounts are reviewed by external audit and the year-end position is broadly in line with their expectations. The Council produces annual statements to statutory deadlines and has received no adverse comment from the audit commission.
- Information reported to the public and other stakeholders is accessible via the website. The Council publishes summary financial information in the Council Tax booklet distributed to all households in the district. It also produces a summarised version of its Statement of Accounts.
- In producing the 2009/10 budget the Council engaged constructively with Councillors to agree the budget setting process.
- The current Medium Term Financial Strategy (MTFS) forms part of the Financial Strategy. The MTFS covers the period 2009/10 to 2013/14 and identifies for each year the cost of providing services compared with the resources available. The Financial Strategy sets out in detail the assumptions and estimates involved in producing the MTFP and outlines the actions the Council needs to take in order to meet its objective of setting a balanced budget whilst delivering its services and achieving its priorities.

- The MTFFS links with the Corporate Strategy and the Corporate Business Plan and contains a summary of the Council's 'General Fund' position, together with various models of capital expenditure. Milestones and resource needs have been identified within the MTFP.
- The Financial Strategy should ensure that finances are used in the most appropriate way in terms of funding activities. For example it questions whether the Investment Strategy is still appropriate, it considers options for leasing or buying equipment, and the use of the Prudential Code to borrow for capital purposes,
- The Council attempts to make realistic assumptions about service demand, inflation and efficiency savings, modelled at corporate and individual service levels and uses the previous years' budget (in this case the 2008/09 budget), to reflect the current cost of services. This budget is taken as a base indicator of spend. Additions or reductions are applied to reflect any 'one off' items included in 2008/09 budget or any supplementary estimates agreed by the Council since the original budget was approved in respect of any forecast variances identified through budget monitoring.
- Each year the Council strives to achieve efficiency savings to provide the current level of service at less cost, or an improved level of service at current cost. For example, this may include better, or more appropriate use of IT.
- The Corporate Business Plan, which incorporates the Council's Financial Strategy links with other key strategies of the Council including its Service Plans (2007/08 to 2009/10), the Asset Management Plan, Treasury Management and the Capital Strategy.

Theme 4 – STANDARDS OF CONDUCT

- The Executive Board and Overview and Scrutiny arrangements have evolved to ensure Councillors and senior officers are aware of their leadership responsibilities. The Council's Constitution contains a clear remit on the role of the leader and the chief executive in setting the culture and direction both for staff and the wider community. The Council has taken steps to distinguish appropriately between the roles of Councillors and officers.
- The Council can demonstrate that its leadership of the Council, the community and partnerships are shared between the executive and other Councillors and Council inspections have endorsed this (CPA inspection reports and the Annual Audit letter from the Audit Commission for example).
- The Council has a partnership policy. The expertise of non-Executive councillors has been harnessed through the development of the role of Member Champion, which is set out in the Council's Constitution. These councillors work in specific areas such as Procurement, Risk Management and Culture, and make annual reports to Council, and in developing these areas further.
- Councillors understand the link between corporate governance and service quality. They receive induction on Ethics, Standards and Corporate Governance when they are elected and as follow up training. A comprehensive Member Development programme is now in place, and the Council is seeking Member Charter status.
- The leadership demonstrates that it can take difficult decisions and an example is the transformation of services using the "Vanguard, lean systems thinking" methodology.

The leadership remains focused on strategy and the Council's priorities and receives reports of progress on the outcomes and measures within the Council's Corporate Strategy.

- The Sustainable Community Plan, Customer Access Strategy and Service Plans demonstrate that the Council's vision acknowledges both community priorities and the Council's corporate priorities.
- The Council's Staff Joint Forum provides challenge where appropriate. Unison is the Council's recognised trade union association.
- Council leadership is open to self-criticism, challenge and review and takes seriously any recommendations made for improvement in audit and inspection letters, CPA inspection reports and action plans or peer reviews. The results of a recent Place Survey suggested that many of the Council services are performing well although confirmation is awaited with the delayed publication of the results for all councils in England. Investment in consultancy support to help refocus services and the organisation on the customer during 2008/09 shows an openness to challenge and change.
- Managerial leadership is demonstrated by the wide array of policies, procedures and strategies in use within the Council, including Codes of Conduct for both Councillors and staff and a Code of Corporate Governance.
- The SMT works collaboratively and attends both corporate management team and middle manager forums to give direction to staff. The Council publishes its 'Team Brief' and arranges staff awareness sessions delivered by the Council's Chief Executive. The atmosphere for staff is open and supportive, various initiatives are in place including staff suggestion and staff recognition schemes.
- Service managers have received core management training to help them engage openly and honestly with their staff. Fraud Awareness training is available for all staff and an up-to-date Anti-Fraud, Theft and Corruption Policy and Whistle Blowing Policy has been widely circulated. There are also provisions concerning corruption and separation of roles during tendering in the Code of Conduct for Employees. The Council has a confidential reporting system in the form of a telephone based "fraudline" for staff and members of the public.
- The Council has provided a range of training opportunities for staff including sessions on equal opportunity and diversity. There is also a functional 'Equality Group' This Group is the Council's forum for discussion and progression of equalities issues corporately. There are representatives from each service area and Councillors. The Group is currently making progress towards the Local Authority Equalities Standard Level 2.
- The Council has three separate directorates, two facilitate front-line services and the other provides support and corporate direction. There is evidence of joined up working between directorates including collaboration between financial services' (revenues and housing benefits) with planning and housing functions. The Council's CSC also demonstrates collaborative working. The legal team works on a range of corporate projects, including delivering planning gain and affordable housing, transferring council assets, and in supporting a range of enforcement functions including noise nuisance, anti-social behaviour and licensing.

- In the main, the seven priorities in the new Corporate Strategy developed through the 'Vision 2011' during summer 2007 were a more refined and focused expression of the priorities that the Council was previously working to. There were, however, three priorities on which Members had expressed the wish to see clear improvement and which led to the reallocation of the Corporate Directors' responsibilities in November 2007 to make sure that greater progress was made than had previously proved to be the case. The changes in the Directors' responsibilities had a significant impact on the three priorities during 2008/09:
 - The Deputy Chief Executive (and former Corporate Director – Central Services) was freed up to drive a step change in providing 'excellent service for our customers', notably through Systems Thinking reviews.
 - The non-strategic planning responsibilities of the former Corporate Director – Environment meant that he was better able to champion the 'recycling' priority.
 - The former Corporate Director – Environment was joined by the Planning Policy, Property and Economic Development and New Growth Point Delivery teams to support him to ensure delivery of the Council's aspirations for a 'thriving economy'
- The Council's Corporate Strategy demonstrates a strategic approach to its principles and aspirations for its own culture and values and this has been communicated to staff. There are 'End of Year' Reports for both the Corporate Overview Committee and the Scrutiny Committee which are considered by the full Council meeting at its first meeting in each new civic year.
- The Council promotes its ethical standards across the Council and attempts to ensure compliance throughout its operations. Ethical standards are contained within the Terms of Reference of the Standards Committee. The Audit & Governance Committee focuses on risk and governance and the Council's Financial Regulations and Contract Standing Orders appear within the Constitution. Legal challenges against the processes of council decision-making are very rare. Councillors regularly take advice about ethical issues from the Head of Legal, Licensing and Democratic Services and her staff, the Monitoring Officer and the Chief Executive.
- The Council has an up-to-date Code of Conduct for Councillors and the Standards Committee is responsible for oversight of the Code, amongst other ethical and propriety issues. The Council also has a protocol on 'relationships between members and officers' to guide both members and officers on how best to discharge their various roles. There is also a Code of Good Practice on planning matters for members and officers, again in the Constitution.
- The Council can demonstrate that arrangements exist for sanctions and redress with regards Councillor conduct. Two new Standards sub-committees have been set up to deal with local hearings and reviews, and has dealt with several local investigations. The Standards Committee specifically deals with Councillor conduct and will consider any complaints brought against any Councillor or other issues brought to the attention of the Committee by the Monitoring Officer. The Committee will determine whether there has been any breach of the Code of Conduct, the Council's Standing Orders or Financial Regulations. The Committee will resolve what further action should be taken (if any) including deciding any training for or sanction on the Councillor concerned and may decide that a Councillor be removed from a committee or suspended for a period of time. The Council put in place an increased number of independent members on a voluntary 'good practice' basis, well before the law required it.

- The Standards Committee and Monitoring Officer have mechanisms in place for referral and joint working with an informal agreement with Mid-Devon and Exeter that enable each to undertake investigations if current workloads are heavy. If these officers are unavailable, the Council may approach an ex Monitoring Officer working locally in the private sector. There is also a good link with the Audit and Governance Committee and attendees will be invited to a Standards Committee later in the year when the Council reviews its ethical governance issues.
- Training is mandatory for Councillors and consists of training on their Code of Conduct and on the planning, audit and governance, licensing and standards committees. The Democratic Services Manager takes responsibility for Councillor training and follows up non-attendance. For example, in the last year the Standards Committee has received training on Local Assessment and a refresher on conducting hearings. Training arrangements are made for those councillors who join regulatory committees mid-term.
- The Council website demonstrates the Council's openness and transparency in that access is available to committee agendas, minutes and reports together with a wide array of other documentation including plans, strategies and policies. Public speaking has been introduced at all council committees. Councillors and parish Councils are kept regularly updated on Code of Conduct requirements and Standards Board guidance through the Democratic Services' weekly publication the Knowledge. The Council has both a Data Protection Policy and a Freedom of Information Policy and a Regulation of Investigatory Powers policy.
- Ethical principles have been acknowledged in working practices and every report to committee contains a requirement for a legal and financial comment from an expert in that field. A new committee template is being introduced which flags up consideration of a wider range of ethical issues, including promoting diversity duties.
- The Register of Interests is up to date and regular reminders are sent to Councillors reminding them to register or update any interests they may have. This is the responsibility of individual Councillors, since officers cannot know what their individual interests are. This is also part of the election process, and details of how to register interests was sent out for the May 2007 elections. Councillors elected mid-term, or co-opted members are also subject to the code of Conduct and register of interest requirements.
- The Council has robust procedures covering the use of Council resources for Councillors, these are contained within the Members' Yearbook which also contains information on members' allowances and travel expenses, together with guidance on the Code of Conduct and I.T. equipment. There is an ICT Equipment and Services for Members policy and an Information Security policy
- The Council's procurement policy has been reviewed, but further updating will ensure that it contains advice for contractors with regards ethics. Ethics for contractors are also contained within the Financial Regulations, Financial Operating Procedures and Contract Standing Orders. The Council is undertaking a separate exercise to ensure the Council's significant partnerships have adequate corporate governance arrangements including ethics and values and that these are regularly monitored There is a Contract Tendering policy and a Code of Data Matching and an Anti-Money Laundering Policy.

The Council will monitor these aspirations through:

- Defining procedures and practices which together create the framework for good corporate governance as described in the CIPFA/SOLACE Joint Working Group Guidance and framework "Delivery Good governance in Local Government:
- Nominating a lead officer who will be responsible for assessing the Council's governance arrangements and producing the Annual Governance Statement (and action plan) and subsequent reporting to the Audit and Governance Committee.

The key policies and procedures that will compose the core of this process are listed below:

- The Council Constitution
- Community Plan and Corporate Strategy.
- Financial Regulations, Contract Standing Orders, and other financial guides.
- Human Resources Policies including a comprehensive 'Managers' Guide'
- Members and Officers Codes of Conduct and Member / Officer Protocols
- Anti-Fraud Theft and Corruption Policy and Quick Guide, Whistle blowing Policy
- Risk Management Policy, Strategy and Toolkit
- Performance Management Framework
- Information Security Policy and affiliated ICT Policies to protect Council data
- Partnership Policies
- Communication and Consultation Strategies for engaging with stakeholders
- Planning – Code of Guidance

We propose over the coming year to take steps to address the issues raised in the action plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Signatures:

29th September 2009 **Leader of the Council**

29th September 2009 **Chief Executive**

Governance and Control Issues Identified

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

Area for Improvement	Suggested Action	Officer Resp.
<p>Disaster Recovery Plans and Business Continuity Planning is not adequate to protect the Council or its assets.</p>	<p>The first IT service continuity test was carried out successfully in 2007. An additional set up and test has been carried out for Home Safeguard and was successful. The ICT infrastructure has changed significantly as a result of the new Microsoft infrastructure and the IT Service Continuity process has now reverted to tape back-up and recovery.</p> <p>The back up and recovery process will be improved to enable a better window of operation for live services and a DR test conducted of the new processes in 2009.</p>	<p>CP</p> <p>CP</p>
<p>The Council's Corporate Risk Management System is not up to date and does not adequately identify and manage corporate risk. The corporate risk register has not been formally updated and reported to the Audit & Governance Committee since March 2008.</p>	<p>The Corporate Risk Management Member group will drive this forward including a new corporate risk management system, training for Heads of Service and an updated Corporate Risk Management Policy Strategy and Toolkit.</p>	<p>DP</p>
<p>The Council's Internal Audit Service has suffered from a lack of resources and does not have adequate resources to monitor the governance arrangements of the council</p>	<p>The Council to consider the long-term provision of an internal audit service.</p>	<p>DP</p>

Area for Improvement	Suggested Action	Officer Resp.
<p>There is a need to review Health and Safety compliance throughout Street Scene services.</p>	<p>Review Health and Safety compliance and include in service objectives for this year and in PERs..</p> <p>These duties were part of the Performance Officer post (now deleted) existing staff need to find the capacity to move this forward at the expense of other works.</p>	MR
<p>Failure to develop Flood Alleviation and Coast Protection Strategy</p> <p>The Strategy links to both national and regional plans and would draw down funding for protection schemes. Due to lack of resources in Street Scene, (Engineering) the capacity of the staff to deal with these issues is limited.</p>	<p>The post of Principal Engineer is currently on hold pending the outcome of local government review and service transformation.</p> <p>This has serious work capacity issues in the delivery of Engineering services in particularly those associated with Land Drainage, Flood Alleviation and Coastal Defence works. Failure to fill this post will mean a work will need to be prioritised with some work areas not being carried out.</p>	KH
<p>LED Budgets – Planned Maintenance budgets affected by the shortfall in revenue received from LED (mismatch identified between work undertaken and amount of money received from LED – problem compounded as figures have been entered into the signed contract). Continuing to provide a service to LED will mean other maintenance work will remain outstanding.</p>	<p>Asset Management Forum will be reporting to the Asset Management Group to resolve some of the contractual issues on maintenance for LED .</p>	KH/DB

Area for Improvement	Suggested Action	Officer Resp.
<p>A programme of data quality checking was carried out by Internal audit during 2009 which found most NIs were either incorrect or needed remedial action. The NIs requiring internal audit recommendations were</p> <p>NI 156 – Housing NI 182 – Environmental Health / Licensing NI 185a/b CO² Emissions NI 194a/b Air Quality NI 196 – Street Scene</p>	<p>Report produced by Internal Audit & Governance to be presented to the Audit & Governance Committee on 29th September 2009.</p>	<p>SMT</p>
<p>An audit in 2007/08 highlighted the areas of weakness with regards the Council's Licensing functions, in that there are two which do not operate consistently or use the same computer system. Internal Audit recommended that the two Licensing functions be amalgamated, and this recommendation appeared on the 2008/09 Governance Action Plan but has not been implemented. The issues highlighted in the review of NI 182 are likely to have been exacerbated by the inconsistent methodologies and systems.</p>	<p>During 2008 Internal Audit were assured that a timetable for data transfer from Environment Health was being discussed with ICT; however this had been delayed because of the problems associated with the protracted migration of the Environmental Health Computer System from M3 to CAPS. We were also assured that the Licensing Manager was preparing for handover and had been liaising with his counterpart in Mid Devon where they have a similar set up in readiness for the transfer.</p> <p>The current position is that all the important cyclical licences have now been transferred and the remainder are progressing well. The transfer will be completed in time for this year's round of licence renewals.</p>	<p>SMT</p>

ANNUAL GOVERNANCE STATEMENT – ACTION PLAN

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

Governance and Control Issues Identified

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ENQUIRIES FOR EXPRESSION OF INTEREST FORMS AND INFORMATION PACKS FOR THE PROVISION OF INTERNAL AUDIT AND / OR COMPUTER AUDIT TO EAST DEVON DISTRICT COUNCIL.

FIRMS REGISTERING AN INTEREST

Name of Firm	IA	CA	Date Eol Sent	Date Eol rec'd	Date Spec sent	Date Spec rec'd
Security Control and Audit Ltd Bisley House Fore Street Dolton, Devon EX19 8QH	✓	✓	Email – 16 th September 2009			
Lakespan Ltd Churchways. Curry Rivel, Somerset TA10 0EF		✓	Email – 17 th September 2009	Email – 22 nd September 2009		
RSM Bentley Jennison Hollinswood Court Stafford Park 1 Telford, TF3 3DE	✓	✓	Email – 18 th September 2009			
Deloitte & Touche Public Sector Internal Audit Limited 3 Victoria Square, Victoria Street, St Albans, AL1 3TF	✓	✓	Email – 21 st September 2009			
Tribal Business Assurance 54-56 Gosport Business Centre, Aerodrome Road, Gosport, Hampshire PO13 0FQ	✓		Email – 28 th September 2009			
Devon & Cornwall NHS Audit Consortia, Newcourt House, Exeter	✓	✓	Email – 28 th September 2009			
H W C A 30 Camp Road, Farnborough, Hampshire, GU14 6EW	✓		Email – 28 th September 2009			

Name of Firm	IA	CA	Date Eol Sent	Date Eol rec'd	Date Spec sent	Date Spec rec'd
Devon Audit Partnership County Hall Topsham Road Exeter EX2 4QJ	✓	✓	Email – 29th September 2009			
BHBi Consultancy Limited Sophia House 28 Cathedral Road Cardiff CF11 9LY	✓		Email – 29th September 2009			
CM Audit & Consultancy Service Limited 30 Sutton Road Speen Newbury Berkshire RG14 1UN	✓		Email – 29th September 2009			
South Coast Audit & Consultancy Services Regent House Mitre Way Battle East Sussex TN33 0BQ		✓	Email – 29th September 2009			