

# Agenda for Audit and Governance Committee

## Thursday, 5 March 2015 2.30pm

[Members of the Committee](#)

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

[View directions](#)

**Contact:** [Chris Lane](#), 01395 517544 (or group number 01395 517546): Issued 24 February 2015

- 1 [Public speaking](#)
- 2 Minutes for 8 January 2015 (page 3-7)
- 3 Apologies
- 4 [Declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

### Part A Matters for Decision

- 7 **Audit Plan/Audit Committee update** - Grant Thornton (pages 8- 21)
- 8 **Continuing to deliver value to East Devon District Council –**  
Grant Thornton (pages 22-36)
- 9 **Annual Audit Plan – SWAP** (pages 37-40)
- 10 **Statement of Accounts 2014/15 – Updating of the Explanatory Forward and additional Policy relating to Group Accounting-** Financial Services Manager (pages 41-42)
- 11 **Risk Management Review –**Management Information Officer (pages 43-44)
- 12 **Strategic Planning Policy update -** Service Lead - Planning Strategy and Development Management (Verbal report)
- 13 **Outcome of Office of surveillance Commissioner Inspection, Regulation of Investigatory Powers Act (RIPA) annual report and RIPA policy update**  
– Corporate Legal and Democratic Services Manager (Page 45-47)
- 14 **Audit and Governance Forward Plan –** Head of Finance (Page 48)

**NOTE: The Office Relocation Project will be considered at a special Joint Overview & Scrutiny & Audit & Governance Committee to be held on 12 March 2015 at 5.00pm.**



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[Decision making and equalities](#)

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## **EAST DEVON DISTRICT COUNCIL**

### **Minutes of a Meeting of the Audit & Governance Committee held at Knowle, Sidmouth on 8 January 2015**

#### **Attendance list at end of document**

The meeting started at 2.30pm and ended at 4.20pm.

**\*36 Public Speaking**

There was no public speaking.

**\*37 Minutes**

The minutes of the Audit and Governance Committee meeting held on 20 November 2014 were confirmed and signed as a true record.

**\*38 Declarations**

Councillor Peter Bowden - personal interest - minute 41: VAT on fuel receipts.

**\*39 Certification Report 2013/14**

Members considered the report of Grant Thornton regarding the Certification Report 2013/14 which outlined the Council's performance in applying for government grants, claims and returns and the preparation of information used in claims.

It was noted that the Council had submitted two claims and returns for certification for the financial year 2013/14, relating to expenditure of £33.364 million.

The report summarised the external auditors' overall assessment of the Council's management arrangements in respect of the certification process. There were no significant matters to be brought to the Council's attention in relation to individual claims. None of the claims or returns were qualified or amended which was consistent with last year. Grant Thornton stated that few authorities receive no qualification and no amendments to their Housing Benefit claim and the council should be commended for this.

The Council and its officers were commended for completing the work on schedule and for having no qualifications on claims. Members noted that there was a reduction proposed in certification fees.

The external auditors were thanked for their report and their continuing support of the Council's improvement. The Strategic Lead Finance and his team were also thanked for all their hard work.

**RESOLVED:** that the contents of the Certification Report 2013/14 be noted.

**\*40 East Devon Fraud Briefing – Grant Thornton**

Barrie Morris of Grant Thornton presented an East Devon Fraud Briefing provided by the Audit Commission, the purpose of which was to:

- Provide an information source to support councillors in considering their councils fraud detection activities;
- Extend an opportunity for councillors to consider fraud detection performance, compared with similar local authorities;
- Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed;
- Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud.

There were 25 cases of detected fraud in East Devon, the value of which was £113,932. The value of detected Housing Benefit and Council Tax Benefit was £112,675 in 2013/14. There were no detected cases of council tax discount fraud, social housing fraud, right to buy fraud or other types of fraud reported in East Devon in 2013/14.

During discussions the following points were noted:

- The growth in houses in the District would affect the number of cases of Housing Tax Benefit in East Devon;
- Systems thinking principles meant the customer was no remote from the council, remoteness can lead to a fraud environment;
- It was easier to identify big cases of fraud than smaller ones;
- EDDC was working closely with other Devon authorities to detect fraud issues, particularly around council tax discounts.

Following questions raised by members, Simon Davey, Strategic Lead Finance, was requested to provide details of the number of cases of detected fraud in East Devon for 2012/13 and also the number of detected cases of internal fraud for 2013/14.

**RESOLVED:** that the report be noted.

**\*41 Internal Audit plan – Review of 2014/15 Qtr 3**

Members considered the report of the Audit Manager which provided the outturn position for the internal audit plan at the end of December 2014 providing an update for quarter 3.

The Committee was advised that there were 2 operational audits that had been deferred from earlier in the year (Enforcement Agents and Regeneration) and 2 audits that had commenced that were originally scheduled for Qtr 4 (Remote and Mobile working and Leisure East Devon). There had been no irregularities reported to SWAP that had required investigation in quarter 3.

In quarter 3 there were two IT audits planned for Remote and Mobile Working and E-Procurement. There were no special reviews carried out in quarter 3. But partial assurance had been given for audits on Tenancy Fraud, Private Water Supply Regulation and Emergency Planning.

The Committee noted the progress made on the audit plan 2014/15 to date and the SWAP Manager reported that all scheduled audits were on target.

The Chairman thanked the internal auditor for presenting his report.

**RESOLVED:** that the content of the internal audit plan – quarterly update 2014/15 be noted.

**\*42 Office Relocation Project Assurance**

Mr Tony Green reported that Full Council on 17 December 2014 had voted for the Audit & Governance Committee to thoroughly investigate all the data relating to the relocation project and report back. He asked specifically what extra scrutiny would the Committee apply to the project that it would not normally be applying?

Mr Richard Eley asked questions surrounding the Council's energy costs and why there was a difference in assumed energy costs between the general budget and those for the relocation project. He also asked if SWAP was happy with these assumptions and whether the Council had considered fixing its energy costs?

The Audit Manager, South West Audit Partnership (SWAP), reported that he could give the assurance from an internal audit point of view that all the current protocols were in place for the relocation project. He reported that he was a member of the Relocation Board Steering Group and was actively involved in overseeing its work.

Members of the Committee noted that as a separate piece of work, Grant Thornton, External Auditors, had been requested to undertake an audit of the relocation financial model calculations and assumptions, which it was expected would be considered by a joint meeting of the Overview and Scrutiny and Audit & Governance Committees in March.

Andrew Ellins, SWAP, reported that he would be preparing a full internal audit report for consideration by the Committee at its March meeting on the relocation process and would include whether he considered that protocols had been met during this process

Members noted that it was the responsibility of the Audit & Governance Committee to carry out due diligence on the project, ensure that there was a Risk Register in place and that the project was properly managed; policy on any office relocation was a matter for Cabinet and Council.

In answer to the question from Richard Eley, Simon Davey, Strategic Lead Finance, reported that he had prepared a budget based on an 8% increase in electricity costs for 2015/16. The energy costs assumed for the relocation project was for a different period of time. The energy costs for 2015/16 would continue to be monitored as part of the Council's budget monitoring process. The Council's electricity and gas was procured through a framework agreement allowing the council to purchase energy under a tender arrangement for a number of public sector bodies..

The Audit Manager, SWAP was thanked for his report. He confirmed that he would make a report on the Office Relocation project at each meeting of the Committee.

**RESOLVED:**

1. that the Audit Manager, South West Audit Partnership, be requested to provide a Part A report on the relocation processes and costs to the March meeting of the Committee;
2. that the report be noted.

**\*43 Thelma Hulbert Gallery**

Members noted the progress report on the Thelma Hulbert Gallery which had been presented to Cabinet the previous evening.

**\*44 Strategic Planning Policy**

Members wished to know how the issues raised regarding Strategic Planning Policy at the last meeting of the Committee was proceeding. The deadline for changing the constitution was the Annual Council meeting in May.

**RESOLVED:**

that the Deputy Chief Executive be requested to prepare a report on progress on this issue to the next meeting of the Committee.

**\*45 Audit and Governance Forward Plan**

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

Items to be considered at the March Committee included:

- Annual Audit Plan 2015/16
- Audit Plan/Audit Committee update
- Office relocation project update
- Risk Management Review
- Strategic Planning policy update

**RESOLVED:**

that the updated Forward Plan be noted.

**Attendance list**

**Present:**

Councillors

Ken Potter (Chairman)

Peter Bowden (Vice Chairman)

Bob Buxton

Steve Gazzard

Steve Hall

**Also Present:**

Graham Troman

**Apologies:**

Roger Boote

Tony Howard

Geoff Pook

**Officers:**

Simon Davey, Head of Finance

Chris Lane, Democratic Services Officer

Andrew Ellins, Audit Manager, South West Audit Partnership (SWAP)

Barrie Morris, Senior Audit Manager, Grant Thornton

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



# Audit and Governance Committee Update for East Devon District Council

**Year ended 31 March 2015**

12 February 2015

**Barrie Morris**

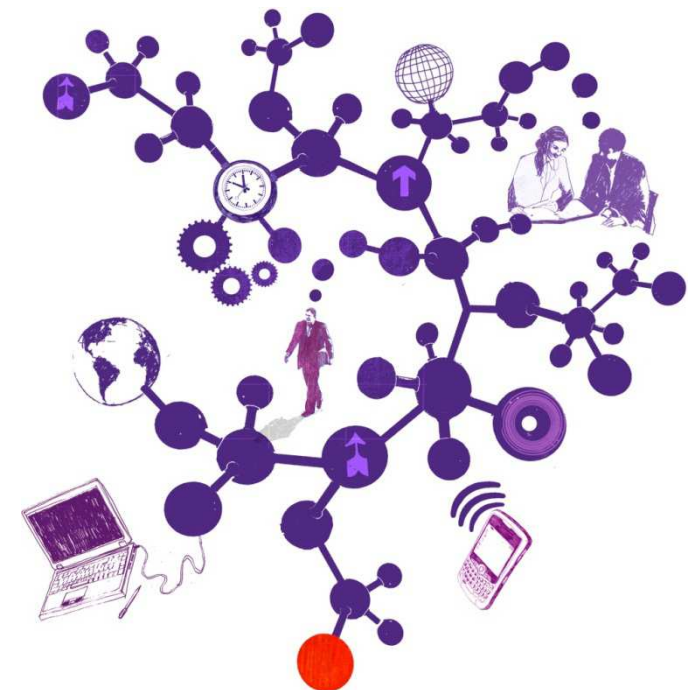
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# Introduction

This paper provides the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Governance Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England
- Local government governance review 2015: all aboard, our fourth annual governance review assesses local authority, fire and police governance and highlights areas for improvement and poses questions to help assess the strength of current arrangements.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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**Ashley J Allen** Audit Manager **T** 0117 305 7629 **M** 07775 705341 [ashley.j.allen@uk.gt.com](mailto:ashley.j.allen@uk.gt.com)

## Progress at 12 February 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	April 2015	Not yet due	<p>Will be presented to members at the next Audit and Governance Committee meeting.</p> <p>There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been approved by the Audit Commission. This means the audit fee will be £67,761 for 2014/15 instead of that previously communicated of £66,861. This is consistent with the change in the audit fee for 2013/14 final accounts. This will be discussed again with in the Audit Plan at the next Committee meeting.</p>
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• initial risk assessment to support the Value for Money conclusion.</li> </ul>	January to April 2015	Ongoing	<p>We are currently working with the Council to complete our interim work. The results of this will be communicated in the Audit Plan that will be presented at the next Committee meeting.</p>

## Progress at 12 February 2015

Work	Planned date	Complete?	Comments
<p><b>2014-15 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014-15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July to September 2015	Not yet due	
<p><b>Value for Money (VfM) conclusion</b> We are required to assess whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> <li>• securing financial resilience</li> <li>• challenging how it secures economy, efficiency and effectiveness.</li> </ul>	July to September 2015	Not yet due	
<p><b>2014-15 certification work</b> This work is expected to cover:</p> <ul style="list-style-type: none"> <li>• housing benefits scheme claim</li> <li>• Pooling of housing capital receipts return.</li> </ul>	September to November 2015	Not yet due	

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# Rising to the challenge

## Grant Thornton

Our national report, Rising to the Challenge, the Evolution of Local Government, was published in December and is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Rising-to-the-challenge---The-evolution-of-local-government/>

This is the fourth in our series of annual reports on the financial health of local government. Like previous reports, it covers key indicators of financial performance, strategic financial planning, financial governance and financial control. It also includes case studies of best practice and a comparison to the NHS. This year it has been extended to use benchmarking information on savings plans and budget performance.

The overall message is a positive one. What stands out is how well local authorities have navigated the first period of austerity in the face of ever increasing funding, demographic and other challenges. Many authorities are forecasting financial resilience confidently in their medium term financial strategy. This reflects an evolution in financial management that would have been difficult to envisage in 2010. However, there remains much to be achieved if the sector is to become sustainable in the long term, and authorities should consider if their:

- medium- to long-term strategy redefines the role of the authority creatively
- operational environment will adapt, working in partnership with other authorities and local organisations
- strategy looks beyond the traditional two- to three-year resource planning horizon
- organisational culture is aligned to where the authority needs to be in the medium to long term
- senior leadership teams – both officers and members – have the necessary skills and capacity to ensure delivery against the medium-term challenges
- corporate governance arrangements ensure effective oversight and scrutiny of the organisation as it adapts to the challenges it faces.

The importance of these actions will be magnified if local government devolves further, particularly in relation to fiscal devolution. The new-found confidence of local government in responding to the medium-term challenges will be tested significantly by the second phase of austerity.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

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# 2020 Vision

## Grant Thornton

Our national report '2020 Vision' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/2020-Vision-Exploring-finance-and-policy-futures-for-English-local-government-as-a-starting-point-for-discussion/>

In a time of unprecedented challenge for English local government, how can the sector develop towards 2020 if it is to have a sustainable future? Our latest report provides a thorough analysis of the current political and economic context, explores a range of potential policies and outcomes, and suggests several scenarios to facilitate an open debate on the future for the sector.

Produced in collaboration with the University of Birmingham's Institute for Local Government Studies (INLOGOV), our report suggests that fundamental changes to local government are both operationally necessary and constitutionally inevitable, for the sector to remain relevant by 2020. The report offers a thorough analysis of the current political and economic context and explores a range of potential future policies and outcomes that English local government will need to adopt and strive towards as they seek to adapt and overcome these challenges.

Placed in the context of enhanced devolution, following the Scottish independence referendum, 2020 Vision maintains a wary eye fixed on the 2015/16 Spending Round and looks ahead to the life time of the next government. It highlights that the economic and financial situation remains increasingly untenable, with an expanding North/South divide arising from the pattern of funding reductions and economic growth.

It highlights that English local authorities continue to face unprecedented challenges, relating to the pressures of austerity and central government funding reductions, and demographic and technological change. Our report highlights the vital role of a successful local government sector and encourages it to think hard about how it will cope in the future.

Informed by the views of a broad range of local authority leaders, chief executives and other sector stakeholders, the report offers a set of six forward-looking scenarios\* in which councils could be operating within by 2020. Though not mutually exclusive, we suggest that key stakeholders need to take urgent action to avoid a potential slow and painful demise for some councils by 2020.

Hard copies of our report are available from your Engagement Lead or Audit Manager.

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# Local Government governance review 2015: All aboard

## Grant Thornton

Our national report 'Local Government Governance Review 2015: All aboard' is available at: <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>

Our fourth annual review into local authority governance aims to assist senior management and elected members of councils, fire & rescue authorities and police bodies to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Focusing on three particular aspects of engagement – within the organisation, with partners and with the public – the key messages from the report are:

- while more than 90% of those surveyed felt their organisations encouraged well-managed risk taking and innovation, 43% felt scrutiny committees were not challenging enough about the way authorities do things
- 84% of respondents said their organisations are now using or considering alternative delivery models but only 45% feel that scrutiny of service quality is sufficiently challenging
- 49% said the transition to police and crime commissioners has not had a positive impact on local partnership working arrangements, while 42% saw no difference in local healthcare governance as a result of councils' new public health role
- annual accounts and annual governance statement continue to expand in length, making them even more challenging for the public to read and understand
- only 30% of cabinet positions in local authorities are held by women, while over half our survey say members do not adequately reflect the demographic profile of the local population.

Alongside the research findings, the report highlights examples of good practice and also poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Hard copies of the report are also available from your Engagement Lead or Audit Manager.



# Group accounting standards

## Accounting and audit issues

The CIPFA Code has adopted a new suite of standards for accounting for subsidiaries, associates and joint arrangements. These changes affect how local authorities account for services delivered through other entities and joint working with partners.

The key changes for 2014/15 are to:

- the definition of control over 'other entities'. The revised definition is set out in IFRS 10 and determines which entities are treated as subsidiaries
- the accounting for joint arrangements. This now follows IFRS 11 and includes changes to the definition of joint ventures and how joint ventures are consolidated in group accounts
- disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities as set out in IFRS 12.

### **Changes to the definition of control over 'other entities'**

Control was previously defined in terms of power to govern the financial and operating policies of an entity. IFRS 10 sets out three elements for an investor to be considered as controlling an investee (all of which must be met):

- the investor has the rights to direct the relevant activities of the investee (relevant activities being the ones that determine the return for the investors – the return could be in the form of a service rather than money)
- the investor has exposure, or rights, to variable returns from its involvement with the investee
- the investor has the ability to use its power over the investee to affect the amount of the investor's returns.

In the commercial sector, this is generally thought to have resulted in more entities being treated as subsidiaries. However, the change is in both directions: some subsidiaries have been redefined as associates. Local authorities with investments in 'other entities' will need to consider whether:

- they control any entities using the new definition. Local authorities will need to pay particular attention to special purpose vehicles and any other entities where there was a close judgement call under the old IAS 27
- there is a need for a prior period adjustment.

# Group accounting standards (continued)

## Accounting and audit issues

### Changes to accounting for joint arrangements

Joint arrangements are contractual arrangements between two or more parties where there is joint control. IFRS 11 makes three key changes from IAS 31:

- there are now only two types of joint arrangements: joint operations and joint ventures
- In a joint operation the investing parties have rights and obligations in relation to the arrangement's assets and liabilities, whereas in a joint venture the parties have rights to the arrangement's net assets. IFRS 11 bases its definition of joint ventures on the substance of the arrangement rather than legal status. It is for the entity to assess whether a joint arrangement is a joint operation or joint venture by considering its rights and obligations arising from the arrangement. To do this the entity needs to consider the structure and legal form of the arrangement, the terms agreed by the parties and any other relevant facts and circumstances. Appendix B to IFRS 11 provides further explanation and examples of joint operations and joint ventures.
- local authorities are still required to consolidate joint ventures in their group accounts but must now do so using the equity (single line) method. The option for proportionate (line-by-line) consolidation has been removed.

The key challenge for most local authorities will be determining whether their joint arrangements are joint ventures or joint operations. The difference should be clear from the contract but in some cases judgement may be required. Local authorities that have previously used the proportionate consolidation method will need to account for the move to equity accounting as a prior period adjustment.

### Disclosure of interests in other entities

IFRS 12 makes consistent the requirements for disclosures in relation to subsidiaries, joint arrangements, associates and unconsolidated entities. It includes the need for transparency about the risks to which the reporting entity is exposed as a consequence of its investment in such arrangements.

### Issues for consideration

- Has your Head of Finance assessed the potential impact of these standards for the authority's financial statements?

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## Earlier closure and audit of accounts

### Accounting and audit issues

DCLG is consulting on proposals to bring forward the audit deadline for 2017/18 to the end of July 2018. Although July 2018 is almost 4 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management. Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

### Issues for consideration

- Has your Head of Finance put in place a plan to address the earlier close date?

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# Financial sustainability of local government

## Local government guidance

In November the National Audit Office published their report on the Financial Sustainability of Local Government.

The report concludes that Local authorities have coped well with reductions in government funding, but some groups of authorities are showing clear signs of financial stress. The Department for Communities and Local Government has a limited understanding of authorities' financial sustainability and the impacts of funding cuts on services, according to the National Audit Office.

The Government reduced its funding to local authorities by an estimated 28% in real terms between 2010-11 and 2014-15. Further planned cuts will bring the total reduction to 37% by 2015-16, excluding the Better Care Fund and public health grant. Although there have been no financial failures in local authorities in this period, a survey of local auditors shows that authorities are showing signs of financial pressure. Over a quarter of single tier and county councils had to make unplanned reductions in service spend to deliver their 2013-14 budgets. Auditors are increasingly concerned about local authorities' capacity to make further savings, with 52% of single tier and county councils not being well-placed to deliver their medium-term financial plans.

There are significant differences in the scale of funding reductions faced by different authorities. Authorities that depend most on government grant are the ones most affected by funding reductions and reforms. This was an outcome of policy decisions to tackle the fiscal deficit by reducing public spending, and for local authority funding to offer incentives for growth.

Local authorities have tried to protect spending on social care services. Other service areas such as housing services and culture and leisure services have seen larger reductions. While local authorities have tried to make savings through efficiencies rather than by reducing services, there is some evidence of reduction in service levels.

According to the NAO, however, the Department does not monitor in a coordinated way the impact of funding reductions on services, and relies on other departments and inspectorates to alert it to individual service failures. In consequence, the Department risks becoming aware of serious problems with the financial sustainability of local authorities only after they have occurred.

The Department's processes for assessing the capacity of authorities to absorb further funding reductions are also not sufficiently robust.



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# Continuing to deliver value to East Devon District Council

December 2014

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Director

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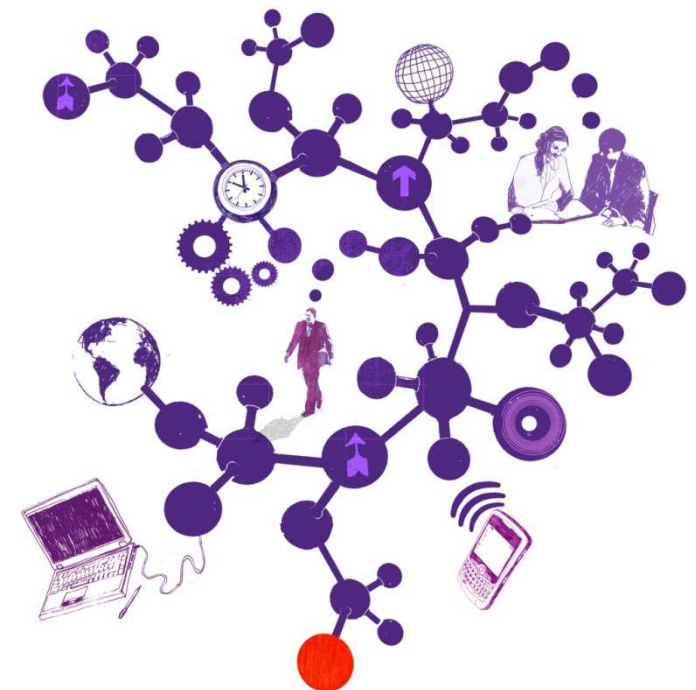
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“

Seven years on from our appointment as your external auditor, I wanted to take an opportunity to reflect on the relationship we have continued to build with you in this period.

East Devon District Council is a valued client of the firm and I hope we demonstrated this during the audit. We pride ourselves on delivering a high quality service and have set ourselves the goal of being second to none in our client care. To help us achieve this, we propose to carry out an independent client service review with you in the coming year. More informally, I would value any feedback from you or your team on areas where you believe we could improve our service to you.

I thought it would be useful to summarise the services we have provided during the year, and to demonstrate how we feel we have added value to you through the other work we do with you. We have made investment in our relationship with you this year, and have included some thoughts as to how we could build on this in the future.

We think our knowledge of the Council, coupled with our wider experience of the Local Government sector, puts us in a strong position to help you with the challenges you face.

We look forward to the opportunity to demonstrate our desire and enthusiasm to work with you in these challenging times.

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**Barrie Morris**

Engagement Lead

for Grant Thornton UK LLP

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# How we brought you added value this year

## Council leadership

### We:

- provided assurance on financial reporting and financial resilience by giving a timely audit opinion and value for money conclusion
- shared our thinking on key issues, including issuing members and management with our annual reports on Governance and Financial Health (Tipping Point) and our reports on Pensions Governance, Alternative Delivery Models, Welfare Reform, High Growth Index, Better Care Fund and 2020 Vision

## Council management

### We:

- ensured a smooth external audit process through regular dialogue and meetings to promptly discuss financial accounts opinion audit and other issues including WGA and grant certification work to ensure you submit accurate figures to central government
- shared technical knowledge , provided early warning on key risks and provided an opportunity to network with other Local Government bodies at our annual finance seminar
- liaised with internal audit to minimise duplication
- introduced our tax specialists to you to provide assurance over your employment taxes arrangements

## Audit and governance committee

### We:

- provided independent external audit commentary and insight on your key issues through senior attendance at every Audit and Governance Committee and shared a LG publication to help members of local authority audit committees understand the financial statements and discharge their responsibilities as they review the accounts
- invested in regular dialogue with the audit and governance committee to ensure there were no surprises and to maintain a robust and independent stance throughout our audit
- provided a presentation and insight from our national reports on good governance arrangements
- provided regular, timely and transparent reports from our work and briefing notes on key sector developments

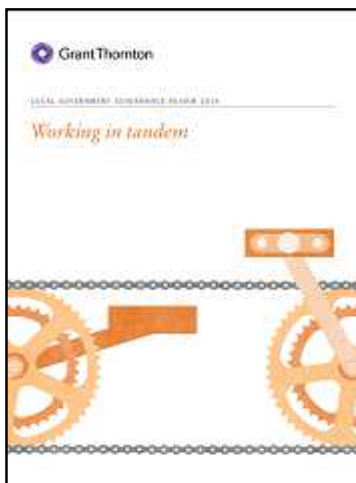


# Supporting corporate governance

Each year, we review good governance in Local Government as part of our wider analysis of UK governance practice. This complements our reviews on corporates in the FTSE 350, the NHS and charities. We aim to help organisations improve their governance by learning from other sectors and their peers and to identify examples of good practice and areas where there is scope for further development.

Our national reviews of Local Government corporate governance include analysis of the financial statements and survey responses. We include insight from similar reviews we undertake at FTSE 350 listed companies, which allows us to promote the highest standards of good governance and public reporting. Some key highlights are set out opposite.

We would be happy to engage with you during the year to benchmark your performance against the national group. In this way, you can benefit from good practice across our national Local Government client base.



**Download findings from our Improving Local Governance report from March 2014:**

<http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/>

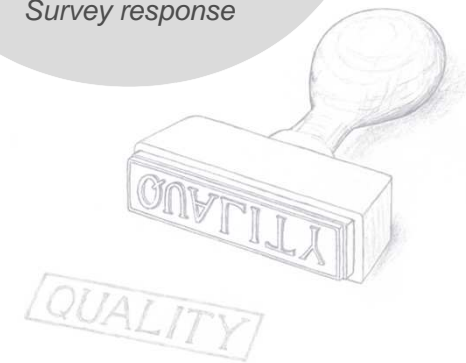
We share our sector insights to ensure you are fully appraised of sector developments and challenges that may affect your governance or risk management arrangements.

In reviewing your annual governance statement, we assess your arrangements for providing assurance to those responsible for signing the statement.

'National tools improve governance arrangements by giving a framework... but most of the work needs to be locally driven and locally responsive'

*Survey response*

Your corporate audit and governance committee members are invited to attend our local government audit committee members network which is not as successful as the NHS NED network.



# Focus on financial resilience

**In the current challenging economic climate, we invest in providing enhanced analysis and reporting on your financial resilience. This includes a RAG rated assessment of where you are performing well and any areas requiring increased attention.**

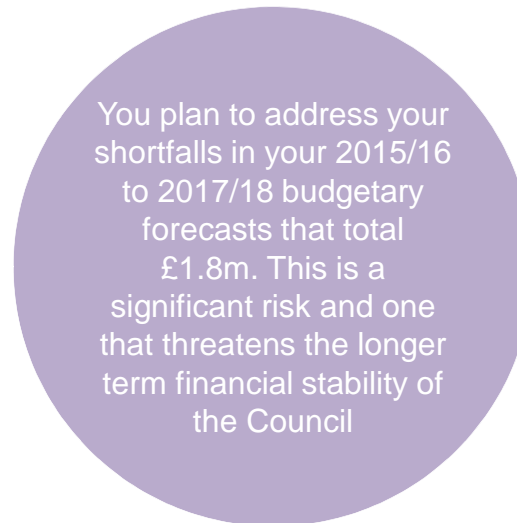
We reported the findings from our 2013/14 value for money review to the September 2014 audit and governance committee. Some key highlights from our work are set out opposite. Our latest national report on Local Government financial resilience will be published in December 2014. It draws on the results of our assessment of financial resilience across all of our Local Government bodies in England.

We are also able to benchmark you against your peers to help support continued improvement. We can provide and discuss more detailed comparative data with you and consider what this means for your financial resilience, if that is of interest.



**Download findings from our National Financial Resilience report from December 2013:**

<http://www.grant-thornton.co.uk/en/Publications/2013/2016-tipping-point-Challenging-the-current/>



# Welfare Reform and Alternative Delivery Models in Local Government



## In 2013, we surveyed a sample of 39 clients in the local government sector and 44 in housing associations in England

The report focuses on the governance and management arrangements being put in place nationally across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and the risks on the reform agenda in the wider context of social impact. The key messages include:

- There is evidence of a pro-active approach in addressing the current and future impact of welfare reform through effective communications with stakeholders
- There is scope for closer working between local authorities, housing associations and other partners – including the NHS - to ensure that homelessness and disruption is minimised and that employment opportunities are maximised
- The full impact of reform has yet to be felt; there is an element of calm before the storm

Download findings from our Alternative Delivery Model report from January 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/>

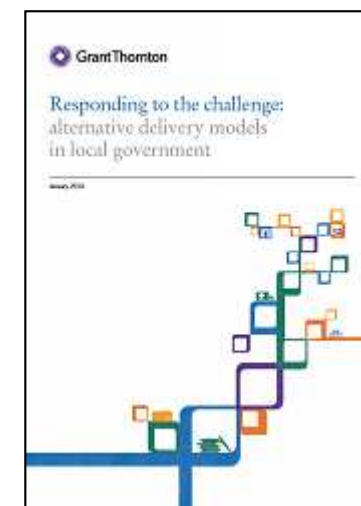
## In 2013, we surveyed a sample of 70 clients in the local government sector and identified nearly 40 different services they had externalised and provided under an alternative delivery model.

This report

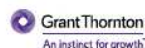
- outlines the main alternative delivery models
- aims to assist other authorities as they develop their options and implement innovation strategies
- considers aspects of risk

Download findings from: our National Welfare Reform report from February 2014:

<http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>



# High Growth Index in Local Government



Where growth happens  
The high growth index of places

Place Analytics in Sight  
Autumn 2014



## In 2014, we issued a report on where growth happens in the local government sector in England.

The report focuses on the high growth, dynamic growth and growth corridors. The key messages include:

- **High Growth** – Our High Growth Index of places, based on economic and demographic measures, shows the pivotal role played by London in driving growth nationally and the role of cities for driving growth regionally. Outside London, Manchester is the strongest performer, with Birmingham, Milton Keynes, Bristol and Brighton and Hove all ranking in the top five.
- **Dynamic Growth** – Highlighting past areas of growth, however, may not necessarily be an indicator of future growth or sustainability. A dynamism index, ranked by assessing a basket of productivity drivers, indicates the quality of growth. The emerging picture shows that dynamism clusters around cities and their wider conurbations. Again, London leads, but is followed by Cambridge, then Reading, Manchester, Bristol, Oxford, Brighton and Hove, Milton Keynes, Leeds and Warrington.
- **Growth Corridors** – Combining rankings for both growth and dynamism reveals a pattern of growth in England based around nine growth corridors. These are functional, large scale, economic areas which have been at the heart of growth over the last decade and are likely to maintain a pivotal role in shaping that growth in the future. Based around key cities, these corridors extend across district borders and create key strategic linkages with other high growth and dynamic areas.

Download findings from:  
our **Where Growth Happens** report from **Autumn 2014:**

[http://www.grant-thornton.co.uk/Global/Publication\\_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf](http://www.grant-thornton.co.uk/Global/Publication_pdf/Where-growth-happens-the-high-growth-index-of-places.pdf)

# Our unique credentials

**Biggest  
UK CIPFA employer**



## Overview

You are an ambitious Council with a vision for an outstanding district. We are proud to be associated with you. You are important to us and we are passionate about supporting you to achieve your strategic goals.

As the largest supplier of external audit to local government in the country, we are uniquely placed to work with you and support you in achieving your goals. We understand the political and public sector environment you work in and the challenges and pressures you are facing. We have a genuine insight and understanding into your business and your needs, from our many decades of dedication working in the public sector and our longstanding commitment to local government.

With Grant Thornton, you benefit from the full commitment of an experienced team that has worked together over many years and has a passion for helping you achieve your success.

We believe in Local Government. All our Local Government specialist staff know and understand the unique issues faced by the Local Government bodies. We have the experienced resources available to meet your needs and support you in responding to the challenges you face. Our commitment to you is that we will work with you and help and support management and the Audit and Governance Committee in achieving your goals. We believe that with our extensive knowledge of the Council and our highly skilled and experienced local audit team, we are exceptionally well placed to support the Council over the next few critical years.

At a national level, our extensive access to our wider audit practice, our networks with central government, local government and healthcare bodies and

our focus on people as the driving force for quality and innovation set us apart. Grant Thornton benefits you by:

- bringing its commitment to improving public sector financial and service management for the benefit of users
- fielding local experts in the strategic and operational needs of the Council
- sharing best practice, knowledge and up to date information from across local government, drawing on the knowledge gained from our unparalleled market share

At a local level, we offer you:

- an audit team which understands the Council, its direction and objectives and the environment in which you operate, identifying areas where we can support you
- an audit team which is not afraid to deliver difficult messages to you and provide robust challenge to management
- a proven track record of delivering high quality audit work, working with you in partnership to deliver better services for local people

**We are confident we can continue to meet your requirements for a comprehensive, efficient and effective external audit service. You will benefit from our relationship as you face the challenges of delivering a modern and customer focused service. We look forward to continuing our working relationship with you.**

# National and local expertise

# 138

Local Government  
audit clients

# 400+

Dedicated public  
sector staff

## National credentials

- Through our Audit Commission framework contract, we have been **external auditors to Local Government since 1982**. Over this time, and based on the quality of our work, we have increased our Local Government audit presence.
- Following the outsourcing of the Audit Commission's in-house audit practice we are proud to be **largest external provider of audit services to Local Government, serving 40% of the market**.
- We are currently **auditors to 138 Local Government authorities, 79 of which are district councils**.
- We have audit staff on secondment to local authorities, helping our staff learn about local government from the inside out. We also train our staff on the latest developments within Local Government. We also receive staff on secondment from clients. We would be happy to discuss secondment opportunities with you.
- We also deliver a national programme of GT closedown workshops in partnership with CIPFA FAN; a joint approach which allows the opportunity for delegates to hear both the key accounting issues and the audit considerations for the accounts in one combined event.
- We have delivered a series of Local Government Audit Committee conferences for Members, to encourage better governance in Local Government.

## Local focus

- Our South West Public Sector Assurance team is made up of over **75 dedicated local government and NHS external audit specialists** with extensive skills and experience with local Government. The regional team undertakes external audit services **three County Councils, 14 Unitary Councils, 22 District Councils and 31 other local government, pension, police and fire authorities**.
- We have audited a number of other bodies over the last few years, and are currently auditing 10 Foundation and NHS Trusts and 11 Clinical Commissioning Groups (CCGs) in the south west region. We therefore have extensive knowledge of partnership working across health and social care.
- We work flexibly across our assurance and advisory teams. For example, we have a **rolling programme of secondments into the advisory team**, which gives our auditors the broader perspective that our clients appreciate.
- We also have VAT, employment tax, real estate, infrastructure, governance, performance improvement and anti-fraud experts with significant experience of our current Local Government clients

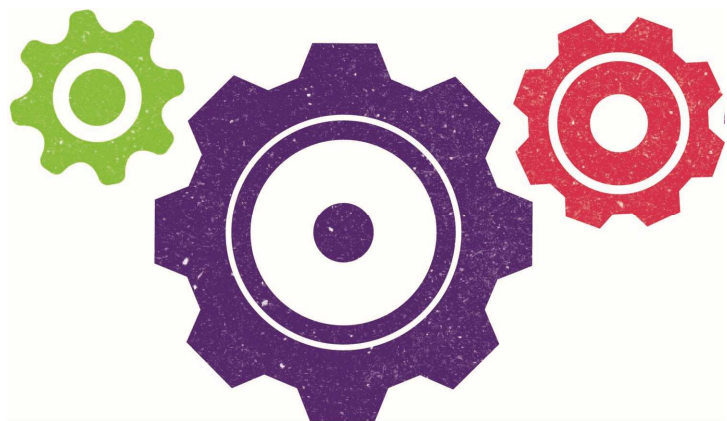
**All of this means that our Local Government clients can be assured of relevant expert knowledge and expertise to support them with current and forthcoming challenges.**

# Experience of Local Government issues

## We have significant experience of the local government sector, and are aware that this is a challenging period for Local Government.

Challenges include the Welfare reforms, the introduction of joint social care, rising demand for services, demands for higher and more consistent quality of service, the reduction of central government grants, the localisation of funding and increasing financial pressures.

Our experience, both locally and nationally, has enabled us to develop a number of audit and advisory services to support our clients in achieving their objectives. We set out opposite some of our areas of specialism:



<b>Regulatory requirements</b>	<ul style="list-style-type: none"><li>Value-added assurance services; external audit; internal audit; governance reviews; financial reporting reviews; IFRS reporting; risk management including IT and systems assurance</li></ul>
<b>Governance</b>	<ul style="list-style-type: none"><li>Advice on governance including: assessment of governance effectiveness and the roles, responsibilities and capabilities of individual directors, working with leaders and Members developing strategy</li></ul>
<b>Efficiency agenda</b>	<ul style="list-style-type: none"><li>Operational services reorganisation; turnarounds; skills gap analysis; performance management; service and cost savings reviews; costing analysis and benchmarking; shared service project support; procurement support; treasury and finance department reviews</li></ul>
<b>Managing infrastructure</b>	<ul style="list-style-type: none"><li>PFI work providing: bid evaluation; refinancing; feasibility studies; preparation of business cases; risk analysis and public sector comparator (PSC) development; development of payment mechanisms; financial modelling; and funding competitions</li></ul>
<b>Asset management</b>	<ul style="list-style-type: none"><li>use of assets for regeneration, reviews of efficiency and cost in use; diagnostics of performance of inventory, evaluating and prioritising options and implementing rationalisation of assets</li></ul>
<b>Major investments, mergers and acquisitions</b>	<ul style="list-style-type: none"><li>Investment appraisals; business case support; investment due diligence; due diligence and advisory services</li></ul>
<b>Establishment of property trading arms and companies</b>	<ul style="list-style-type: none"><li>Assisting with procurement of development partners, structuring and establishing development vehicles such as Strategic Partnerships, Local Asset Backed Vehicles, and Joint Venture Companies</li></ul>
<b>Alternative Delivery Models</b>	<ul style="list-style-type: none"><li>Outsourcing; quantitative data analysis and stakeholder interviews, benchmarking results against our database of outsourced partnership activity</li></ul>
<b>Tax advice</b>	<ul style="list-style-type: none"><li>Corporate and international tax; indirect tax; employer solutions</li></ul>



# Helping to address your challenges

Area of focus	Your challenges	Examples of how we have helped you and other Local Government bodies
<b>Optimise operations</b>	<ul style="list-style-type: none"> <li>• <b>Significant budget shortfalls</b> - you face a significant challenge over the forthcoming three years (2015/16 to 2017/18) to find £1.8m in shortfalls in your budget plans.</li> <li>• <b>Cost Improvement Plans</b> - you have set a challenging budget in 2014/15 containing £1.1m of efficiencies, cuts and income generation which you expect to achieve. Future budgets are likely to contain a similar level of savings. Continued delivery on such scale becomes increasingly difficult without recourse to non-recurrent savings.</li> </ul>	<ul style="list-style-type: none"> <li>• We review your arrangements for setting and monitoring your savings plans and assess whether they are realistic and feasible.</li> <li>• We review whether you have appropriate financial management arrangements and plans in place to tackle financial resilience in the longer term.</li> <li>• At other sites, we have facilitated workshops, leading to the generation of a 'long list' of long-term, sustainable savings and service redesign proposals which will feed in to future savings programmes.</li> </ul>
<b>Welfare Reform</b>	<ul style="list-style-type: none"> <li>• <b>Welfare Reform</b> – changes to housing benefit and welfare reform continue to increase the rate of homelessness and demand for social housing. Changes include Welfare Benefit cap, under-occupancy adjustment (bedroom limit), Universal Credit and Direct Payments</li> </ul>	<ul style="list-style-type: none"> <li>• Our 2014 Welfare report draws on our experience and that of our clients, over the past year, in order to provide insight into the impact of welfare reform and will be the first in a series of updates that will contribute to understanding of these issues within the sector and provide a platform for sharing experience and good practice.</li> </ul>
<b>Realise strategic ambition</b>	<ul style="list-style-type: none"> <li>• <b>Regeneration</b>– your business plan includes a significant capital budget.</li> </ul>	<ul style="list-style-type: none"> <li>• We challenged the Council to ensure that the actions it was taking were within their power and as such new policies and procedures have been put in place to ensure that the Council is not providing State Aid.</li> <li>• We are working with the Council to ensure that the financial model that is providing key information that will go into the decision of the future of East Devon Councils accommodation is accurate and sound.</li> </ul>

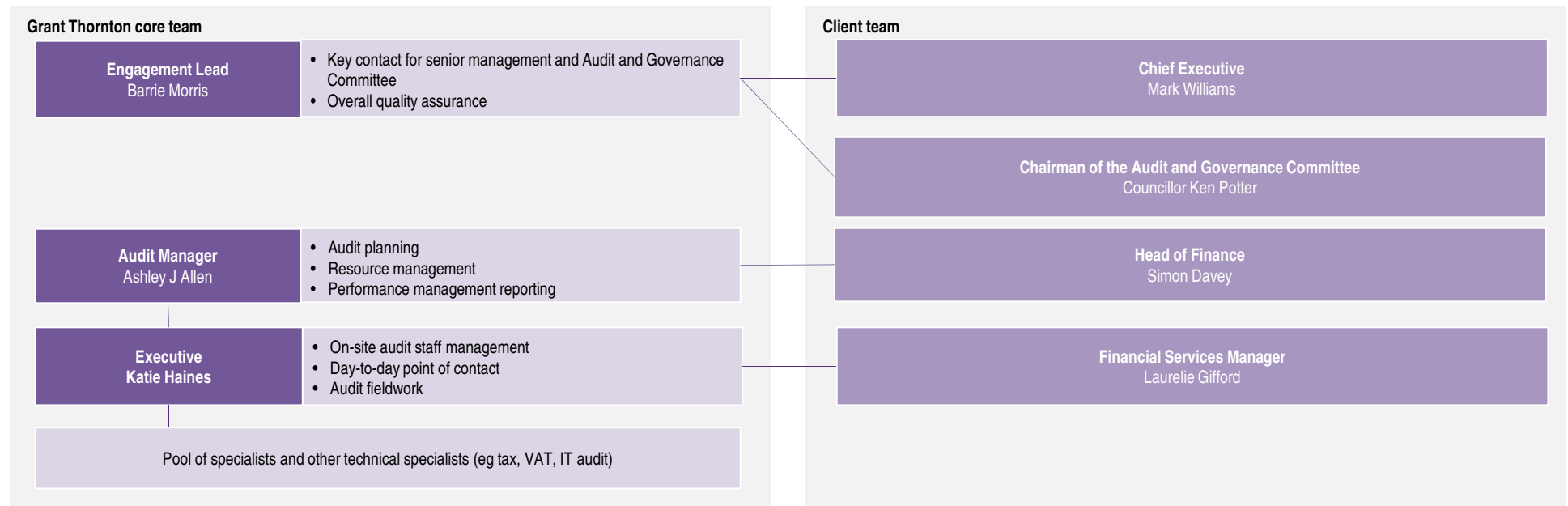
Your audit team will be happy to further discuss these and other challenges with you, and will involve relevant specialists where this is of value to you.

# Your client service team

We understand what you expect from us: an approachable, proactive, locally based and highly skilled team with access to a national network of specialists and expertise as required.

The existing team will continue to:

- understand you and your priorities, and provide innovative and constructive advice
- challenge you where necessary to support your continued improvement
- be readily accessible and responsive to your needs but independent and challenging to deliver a rigorous audit
- be connected into a Local Government network
- communicate relevant information to you in a prompt, clear and concise manner



# Our fees

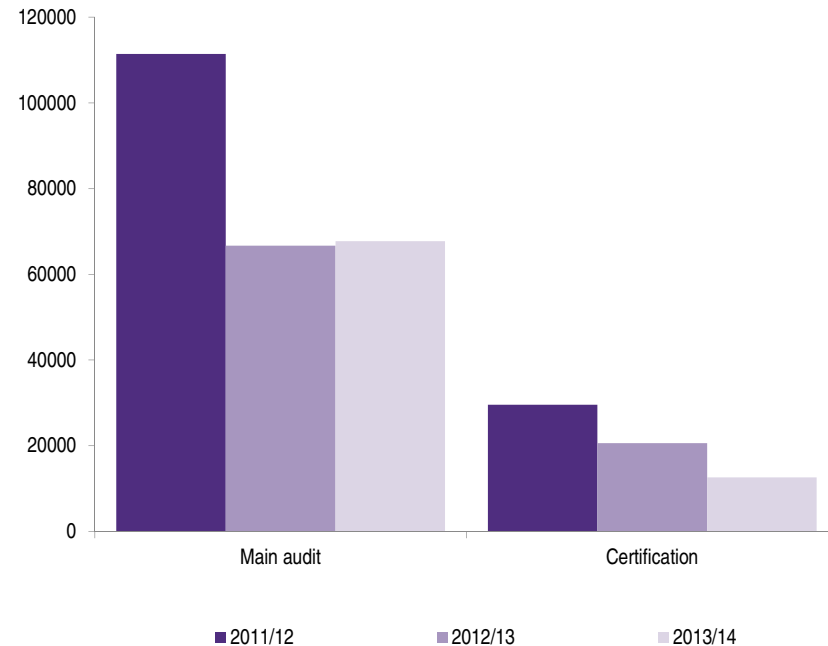
## Our fee proposal provides you with transparency and value for money.

Our fees over the past two years and for the current year are set out in the chart to the right. These fees are set by the Audit Commission.

We are committed to openness and transparency in our fee with you – now and in the future. We know that you want an external audit that continues to offer a transparent fee structure which represents best value for money.

To deliver against your needs our fee includes:

- discounted rates – our position as the largest auditors to local government allows us to offer a discount on our usual rates
- no hidden costs – the fee we propose is the fee we will charge (plus VAT)
- investment in our relationship – the value in the core audit and the additional added value inputs we describe in this document are all included in the fee
- certainty over fee levels year on year – we hold the fee for the duration of the contract, absorbing fee inflation through audit efficiencies
- specialist, qualified staff - 100% of the time spent on the audit will be from qualified or part qualified staff, with over 60% from fully qualified staff, all specialists in working with local government
- expenses are included – saving you the 5%-10% that may typically arise on a contract
- no assumption of additional fee income – our external audit fee includes no assumption around you commissioning additional paid for services from us





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**[grant-thornton.co.uk](http://grant-thornton.co.uk)**

**Report to:** **Audit and Governance Committee**

**Date of Meeting:** 5 March 2015

**Public Document:** Yes

**Exemption:** None

**Review date for release** None



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

**Subject:** South West Audit Partnership - EDDC Internal Audit Plan for 2015-16.

**Purpose of report:** As a key element of its Governance arrangements the Council have a partnership arrangement with South West Audit Partnership to deliver an annual internal audit plan. The Audit Manager for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team has produced an Audit Plan for 2015-16 that requires the approval of the Audit and Governance Committee.

**Recommendations:** **That the Audit and Governance Committee approve the Internal Audit Plan of 376 days for April 2015 to March 2016.**

**Reason for recommendation:** It is a requirement that the Audit and Governance Committee approve the annual audit plan.

**Officer:** Andrew Ellins, Audit Manager, South West Audit Partnership  
andrew.ellins@southwestaudit.co.uk 07720 312464

**Financial implications:** The financial impact of reducing the number of days in SWAP's 2015/16 Internal Audit Plan by 24 is an estimated budget reduction in relation to the internal audit fee of £7,000. The budget change is from £114,710 in 2014/15 to £107,710 in 2015/16.

**Legal implications:** Internal audits assist in testing and demonstrating compliance with regulatory frameworks, including governance and best value.

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

**Risk:** Medium Risk  
Failure to gain independent assurance over the internal control arrangements by undertaking periodic internal audits of all of the Councils activities using a risk based methodology could impact negatively (i.e. financial, reputational, operational) on the Council.

**Links to background information:**

**Link to Council Plan:**

## **Report in full**

### **Background**

The total number of audit days planned for 2015-16 is 376 days, which is a reduction of 24 days (was 400) from 2014-15.

The reduction is primarily due to the externalisation of the Council's IT Service to STRATA which will be audited separately to this Internal Audit Plan.

This plan has been pulled together with a view to providing assurance to both Officers and Elected Members of the current and imminent risks faced by the Authority in an ever changing risk environment. If an emerging risk or a fraud investigation is deemed higher risk then the audits in this Original Plan then changes may be required during the year. The Committee are approving the initial plan of 376 days. Any changes will be reported to Committee quarterly for approval.

To ensure that to the best of our ability we have covered the necessary risks, the Audit Manager and the Section 151 Officer have liaised with the Senior Management Team and together, whilst also considering audits already undertaken in recent years, have produced the plan detailed in Appendix A.

### **Key Control Audits**

The Key Control process focuses primarily on key risks relating to the Council's major financial systems. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance. To this end we liaise with the External Audit representatives and include any requirements they have in providing them necessary assurance, in line with the International Auditing Standards, that they are required to audit against. There are eight key financial systems;

- Council Tax and NDR
- Creditors
- Debtors – Debt Management
- Housing and Council Tax Benefits
- Housing Rents
- Main Accounting
- Payroll
- Treasury Management

We provided reasonable or substantial audit assurance for the key financial systems in 2013-14 and as such it was agreed not to audit all of them in 2014-15. To ensure that there have been no lapses in these key controls and to provide ongoing assurance, these areas will be reviewed again in 2015-16, although coverage will be representative of assurance previously provided.

### **I.T. Audits**

I.T. Reviews are completed to provide the Authority with assurance with regards to their compliance with industry best practice. SWAP has a specialist Computer Audit Manager who will meet with the ICT Manager to identify specific I.T. related risks. There are 30 days planned.

The ICT Audits have not yet been finalised but will involve independent assurance over the proposed shared service and changes required in respect of the relocation project.

## **Operational Audits (Service and Core Cross-Cutting Reviews)**

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

- Waste Services
- Leisure East Devon
- Regeneration
- Asset Register & Land Record Management
- Environmental Health – Food Safety
- Car Parks Income
- Building Control Fees
- Safeguarding Children
- S106 Discharge of Planning Obligations
- Civil Contingencies / Disaster Recovery
- Careline – Home Safeguard
- Expenses & Reimbursement Fraud Prevention
- Relocation Project (Consultation - Non-Opinion)

## **Follow Up Audits**

Internal Audit follow up on all Audits being given a 'Partial or No Assurance' level to ensure that agreed actions to mitigate risks have been implemented. We have planned 24 days to do follow-up reviews as we are aware of at least 5 reviews that we will be following-up.

- Emergency Planning
- Enforcement Agents
- Private Water Supplies
- Streetscene Asset Inspections
- Tenancy Fraud

## **Advice and Meetings**

Internal Audit are risk experts and as well as undertaking planned audits are always glad to assist officers where they seek advice on managing their risks. Similarly, to enable effective governance Internal Audit work closely with External Audit and with the Section 151 Officer and the Audit and Governance Committee through regular liaison meetings and progress reporting.

## APPENDIX A

EDDC Internal Audit Plan 2015-16	Days Planned	Rationale
<b>Client Support</b>	<b>52.0</b>	
Planning / Client Liaison	12.0	Audit Planning / S151 Liaison
Corporate Advice	6.0	Guidance and advice on best practice
Committee Reporting & Attendance	12.0	Audit & Governance Committees and Reports
External Audit	2.0	Liaison with Grant Thornton
Relocation Project Consultancy	20.0	Consultancy and Advice and adhoc projects
<b>Follow Up Audits</b>	<b>24.0</b>	
Emergency Planning	4.0	
Enforcement Agents	4.0	
Private Water Supplies	4.0	Review 2014-15 Partial Assurances
Streetscene Asset Inspections	4.0	
Tenancy Fraud	4.0	
Follow-Up Unallocated (Q4)	4.0	
<b>ICT</b>	<b>30.0</b>	Risks to be agreed between ICT Manager
TBA	15.0	and SWAP IT Audit Manager. ICT will include
TBA	15.0	consultancy in respect of STRATA changes.
<b>Key Controls</b>	<b>75.0</b>	
Council Tax / NDR	10.0	
Creditors	10.0	
Debtors - Debt Management	10.0	
Housing & Council Tax Benefits	10.0	Continuous assurance that the Councils Key
Housing Rents	10.0	Financial Systems are adequately controlled.
Main Accounting	10.0	
Payroll	10.0	
Treasury Management	5.0	
<b>Service Reviews</b>	<b>195.0</b>	
Waste Services	20.0	SITA Contract
Leisure East Devon	20.0	Focus on Operational risks
Regeneration	20.0	Project Management
Asset Register & Land Record Management	15.0	Legal ownership and Asset Management
Environmental Health - Food Safety	15.0	Legislation and Enforcement
Car Parks Income	15.0	Cash Collection and Enforcement
Building Control Fees	15.0	Legislation, Invoicing
Safeguarding Children	15.0	Ensure procedures to protect children
S106 Discharge of Planning Obligations	15.0	New Legislation
Civil Contingencies / Disaster Recovery	15.0	Emergency Planning Arrangements
Careline - Home Safeguard	15.0	Safety and Income controls
Expenses & Reimbursement Fraud	15.0	
Prevention	15.0	Cash and Receipt Controls
<b>Total Planned Audit Days:</b>	<b>376.0</b>	



**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 5 March 2015  
**Public Document:** Yes  
**Exemption:** None



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

**Subject:** Statement of Accounts 2014/15 – Updating of the Explanatory Forward and additional Policy relating to Group Accounting

**Purpose of report:** Resulting from the implementation of STRATA, the shared IT service with Exeter City Council and Teignbridge District council, EDDC must now produce annual Group Accounts.

This requires a paragraph in the Explanatory Forward, an additional Group Accounts policy and Group information in the Statement of Accounts. There are no changes required to the existing accounting policies.

As it is considered best practice for the Audit and Governance Committee to approve the Accounting Policies to be adopted for the preparation of the accounts, the new policy is presented for Members consideration.

**Recommendation:** **To approve the additional Accounting policy on Group accounts.**

**Reason for recommendation:** Members of the Audit and Governance Committee have responsibility for the approval of the Annual Statement of Accounts.

**Officer:** Laurelie Gifford Financial Services Manager  
lgifford@eastdevon.gov.uk

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

**Legal implications:**

**Equalities impact:** Low Impact

Click here to enter text on impact level relating to your report. Link to an equalities impact assessment form if necessary.

**Risk:** Low Risk

Click here to enter text on risk considerations relating to your report.

**Links to background information:**

- Click here to enter links to background information; appendices online; and previous reports. These must link to an electronic document. Do not include any confidential or exempt information.

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

**Report in full**

## 1. Additional Accounting Policy

1.1 For the 2014/15 Annual Statement of Accounts, EDDC meets the definition requiring preparation of Group Accounts. It is necessary to comply with the CIPFA Code of Practice section 9.1 Group Accounts.

1.2 The Code requires an additional policy on Group Accounts.

1.3 The Audit and Governance Committee on 13 March 2014 formally adopted the existing Accounting Policies and there are no required changes to these, but an additional policy is presented for consideration.

1.4 The proposed new policy within Note 1 Accounting Policies is as follows:

### **Note 1 Accounting Policies Contd.**

#### **Interests in Companies and Other Entities**

The District Council has material interests in companies and other entities that have the nature of jointly controlled entities and require it to prepare group accounts. In the Authority's own single entity accounts, the interests in companies and other entities are recorded as financial assets at cost, less any provision for losses

## **2. Explanatory Foreword**

A short section will also be added to the Explanatory Forward:

#### **Group Accounts**

These consolidate the accounts of East Devon District Council and East Devon's interest in STRATA Ltd. The Council has a one third shareholding in STRATA. The group Accounts will set out a Group Movement in Reserves Statement, Group Comprehensive Income and Expenditure Statement, Group Balance Sheet, and Group Cash flow Statement.

**Report to:** **Audit and Governance Committee**  
**Date of Meeting:** 05 March 2015  
**Public Document:** Yes  
**Exemption:** None



**Agenda item:** 11

**Subject:** **2nd High Risk Review 2014/15**

**Purpose of report:** The high risk information is supplied to allow the Audit and Governance Committee to monitor the high Strategic and Operational Risks outside of the bi-annual reporting. This follows a review of risks focusing on high risks by responsible officers to end of January 2015.

**Recommendation:** **1. That the Audit and Governance Committee considers the current status of the high risks until April 2015 when a full risk review will be undertaken and reported to the following committee.**

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

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

ext 2332

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

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

**Equalities impact:** Low Impact

Click here to enter text on impact level relating to your report. Link to an equalities impact assessment form if necessary.

**Risk:** Low Risk

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

**Links to background information:**

- [Appendix A – The high and upper medium risk report as at end of January 2015](#)

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

## Report in full

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

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

The Supporting People contracts have now ended so this is no longer a risk but is an issue we are dealing with. By putting in control actions in place we have been able to mitigate the impact of this risk occurring. The Support Service will be funded by way of a flat rate charge to customers from April 2015 onwards, so loss of Supporting People income will be covered. Charges will be subsidized over the first two years for current tenants and a hardship fund established for those in serious need.

Further information including control actions for our remaining upper medium risks can be found at [appendix A](#), (upper medium scoring 8 or over).

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

Finance	High	Medium	Low
<i>This review</i>		3	18

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

Housing	High	Medium	Low
<i>This review</i>	0	11	11

Environment	High	Medium	Low
<i>This review</i>		5	9

Legal & Democratic	High	Medium	Low
<i>This review</i>		9	5

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

ICT	High	Medium	Low
<i>This review</i>		4	3

Strategic Risks	High	Medium	Low
<i>This review</i>		12	

6. The next full risk review will take place in April to be reported at the following Audit and Governance meeting. At the next full risk review we will also seek to include high risk reports from the office accommodation project.

**Report to:** **Audit and Governance Committee**

**Date of Meeting:** 5 March 2015

**Public Document:** Yes

**Exemption:** None

**Review date for release:** None



**Agenda item:** 13

**Subject:** Outcome of Office of Surveillance Commissioner Inspection, Regulation of Investigatory Powers Act (RIPA) annual report and RIPA policy update.

**Purpose of report:** To have strategic oversight of the Council's RIPA function. Audit and Governance Committee receives an annual report on the use of Regulation of Investigatory Powers Act [RIPA].

**Recommendations:**

- 1. Members note the positive inspection report and endorse the implementation of the Office of the Surveillance Commissioner's recommendations.**
- 2. Receives the Regulation of Investigatory Powers Act (RIPA) Co-ordinating Officer's annual report.**
- 3. Approves the minor amendments to the RIPA policy including guidance on the use of social networking sites for investigative purposes in connection with crime prevention or detection**

**Reason for recommendation:** To update members on the inspection outcome and seek agreement for minor amendments to the RIPA policy.

**Officer:** Rachel Pocock Corporate Legal and Democratic Services Manager  
[rpocock@eastdevon.gov.uk](mailto:rpocock@eastdevon.gov.uk) 01395 517401

**Financial implications:** The recommendations made by the Office of the Surveillance Commissioner referred to in this report will require additional work to be carried out by EDDC staff. However it would be expected that this could be undertaken with current staff resources, hence no additional budgetary requirement.

**Legal implications:** Included in the report

**Equalities impact:** Low Impact  
It is considered that the use of surveillance is unlikely to have a greater impact on protected groups than society as a whole.

**Risk:** Low Risk  
Proper use of the Act assists in gathering admissible evidence for subsequent court proceedings, for example in benefit fraud cases

**Links to background information:** [Council Policy on Regulation of Investigatory Powers Act \(RIPA\)](#)  
[Office of Surveillance Commissioner's report](#)

**Link to Council Plan:** Enjoying this outstanding place

## **Report in full**

1) Very occasionally the Council uses directed surveillance to detect and prevent crime, under the terms of the Regulation of Investigatory Powers Act 2000 (RIPA). The powers are rarely needed, but in common with other local authorities, this council sometimes make use of them to identify and gather evidence against those responsible for anti-social behaviour or suspected serious breaches of regulatory control. A full explanation of the use of these powers is set out in the Council's policy [see link under background papers].

2) Directed surveillance is, in essence, any activity undertaken **covertly** for the purpose of a specific investigation in such a way that is likely to result in obtaining information about a person's private life. For example, following a fraud suspect to their home and watching to see who they were living with without disclosing the reason for the officer's presence would normally constitute directed surveillance and require formal authorisation.

### **When can RIPA be used?**

5) Local authorities can only use directed surveillance under RIPA to prevent or detect criminal offences that are punishable, whether on summary conviction or indictment, by a maximum term of at least 6 months' imprisonment or are related to the sale of alcohol and tobacco to minors.

6) Authorisations for directed surveillance or covert human intelligence sources are not effective until approved by a J.P (magistrate) following approval by an authorising officer at the Council. Full details of the processes involved are explained in the RIPA policy.

7) A local authority may not authorise the use of directed surveillance under RIPA to investigate disorder that does not involve criminal offences or to investigate low level offences which may include, for example, littering, dog control and fly-posting. At the start of an investigation, council officers will need to satisfy themselves they are investigating a criminal offence punishable by a prison term of 6 months at least (unless related to under age tobacco and alcohol sales).

8) In East Devon the approach has been to consider whether surveillance is necessary and proportionate, in line with the Act and human rights legislation. Consideration will always be given as to whether the investigation could be effectively carried out by other means without using directed surveillance.

### **Safeguards**

9) The Council's policy sets out how authorisation is to be obtained, reviewed and cancelled. It also refers to the Home Office Codes of Practice on covert surveillance and covert human intelligence sources which the Council has also adopted.

### **Annual RIPA report to Committee**

10) Members received their last annual report on 7 November 2013. No RIPA authorisations have taken place in the last year. Corporate training for authorising officers took place on 6 November 2013. A further training event will be scheduled this year.

### **Office of Surveillance Commissioner Inspection**

11) An inspection took place at the Council offices on 23 October 2014, by Andrew Mackian, on behalf of the Chief Surveillance Commissioner. The overall conclusion was 'East Devon DC has clearly placed importance on ensuring that both procedures and training are in place,

along with effective oversight measures, should the use of powers under the 2000 Act take place". The full inspection report is available as a background document by electronic link. The inspection report, received on 12 November 2014, included the following:

- That the recommendations of the previous inspection which took place in 2011 had been discharged
- That the Council's RIPA policy was an excellent document and easily used by relevant staff
- The regular reporting to Audit and Governance Committee on RIPA use and policy revision, in accordance with the Covert Surveillance and Property Interference Code of Practice
- The Council should be complimented on its investment in training

12) Specific recommendations for action were:

- A Standard Operating Procedure should be drawn up for the use of Social Networking sites for investigative purposes
- An audit be undertaken of CCTV assets owned by East Devon DC, and an inventory compiled.

The Chief Executive has confirmed the Council will implement these recommendations. Overall officers are pleased to have received a positive report. The previous inspection three years earlier, was also positive.

### **13. RIPA Policy Review**

This was due in November 2014, but as the Office of Surveillance Commissioner's inspection report was imminent, it has been reviewed in the light of his inspector's observations. Two relatively minor additions are suggested in line with the inspector's report:

- a) Further detail be included in the policy about information to be recorded at the time of cancelling an authorisation in line with OSC guidance. (Para 6.7 )
- b) The definition of Covert Human intelligence source (CHIS) at para. 4.3 of the policy should replicate the definition in the OSC Code of Practice.

These changes are shown tracked in the policy [see background documents link].

# Agenda Item: 14

Audit and Governance Committee

5 March 2015



## Audit and Governance Committee

### Forward Plan 2014/15

<b>Date of Committee</b>	<b>Report</b>	<b>Lead Officer</b>
5 March 2015	<ul style="list-style-type: none"><li>• Annual Audit Plan 2015/16</li><li>• Audit Plan/Audit Committee update</li><li>• Office relocation project update</li><li>• Risk management review</li><li>• Strategic Planning policy update</li></ul>	SWAP Grant Thornton SWAP Management Information Officer
25 June 2015	<ul style="list-style-type: none"><li>• Review of Internal Audit Charter</li><li>• Internal Audit Activity – Quarter 1 2014/15</li><li>• Revenue and Capital Outturn Report 2013/14</li><li>• Annual Audit Report and Opinion</li><li>• Draft annual governance statement</li><li>• Office relocation project update</li><li>• Audit Committee update</li><li>• 5 year land supply update</li> <li>• Risk Management Review</li><li>• Statement of Accounts</li></ul>	SWAP SWAP Head of Finance  Grant Thornton Grant Thornton  Grant Thornton Planning Policy Manager Management Information Officer Grant Thornton