

Agenda for Audit and Governance Committee

Thursday, 25 June 2015 3.30pm

Please note there is an overview session for the role of Audit and Governance before this meeting at 2.15pm in the Council Chamber.

[Members of the Committee](#)

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

[View directions](#)

Contact: [Amanda Coombes](#), 01395 517543 (or group number 01395 517546): Issued 16 June 2015



East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL
DX 48705 Sidmouth
Tel: 01395 516551
Fax: 01395 517507

www.eastdevon.gov.uk

- 1 Chairman's welcome
- 2 [Public speaking](#)
- 3 Minutes for 5 March 2015 (pages 3 - 7)
- 4 Apologies
- 5 [Declarations of interest](#)
- 6 [Matters of urgency](#) – none identified
- 7 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.

- 8 **Audit and Governance - Terms of Reference** (page 8)

- 9 **Audit Plan/Audit Committee update** - Grant Thornton
Audit Plan (pages 9 - 23)
Audit & Governance update (pages 24 - 35)

- 10 **Annual Audit Plan** – SWAP (page 36)
Appendix A – EDDC Plan 2015/16 (page 37)

- 11 **Internal Audit Charter** – SWAP (page 38)
Appendix A – Internal Audit Charter 2015/16 (pages 39 - 41)

- 12 **Annual Opinion report** - SWAP (pages 42 - 43)
Appendix A – Annual report and opinion 2015/16 (pages 44 - 53)
Appendix B – Audit Plan Progress table (page 54)
Appendix C – Audit Framework Definitions (page 55)

- 13 **Year end full Risk Review 2014/15** - Management Information Officer (p 56 - 57)
Appendix A – High & upper medium risks (pages 58 - 70)
Appendix B – Medium & low risks (pages 71 - 96)

- 14 **Draft Annual Governance Statement – year ended 31 March 2015**
Strategic Lead, Finance (page 97 - 101)
Appendix A – (page 102)

- 15 **Annual Revenue and Capital Outturn report 2014/15** - Strategic Lead, Finance (pages 103 - 104)
Appendix A - Outturn report to Cabinet 17/06/15 (pages 105 - 112)
- 16 **Audit and Governance Forward Plan** – Strategic Lead, Finance (page 113)
- 17 **Annual audit fee letter 2015/16** – KPMG (pages 114 - 119)

[Decision making and equalities](#)

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 & Governance Committee held at Knowle, Sidmouth on 5 March 2015

Attendance list at end of document

The meeting started at 2.30pm and ended at 5.00pm.

***46 Appointment of Vice Chairman**

In the absence of the Vice Chairman, Councillor Steve Hall was appointed Vice Chairman for the meeting.

***47 Public Speaking**

There was no public speaking.

***48 Minutes**

The minutes of the Audit and Governance Committee meeting held on 5 January 2015 were confirmed and signed as a true record.

***49 Audit Plan/Audit Committee update**

Members considered the report of Grant Thornton who provided the Council with a report on progress in delivering responsibilities as their external auditor. Progress as at February 2015 included: The 2014/15 Accounts Audit Plan would be reported to the June meeting of the Committee. The interim accounts audit, 2014/15 Final Accounts Audit, Value for Money Conclusion and 2014-14 Certification Work were ongoing.

Members noted that there was an additional fee of £900 in respect of work on material business rates balances. The additional work was necessary, as auditors were no longer required to carry out work to certify NDR3 claims. In response to a question on the council's interests, members noted that EDDC had other financial interests, such as STRATA, Exeter Science Park and LED. Simon Davey, Strategic Lead – Finance, agreed to investigate whether EDDC had any continuing financial liability for the Beehive Centre, Honiton.

Members of the Committee wished to raise the issue of fees for consultants and requested that this issue should go on the Committee Forward Plan for June 2015.

RESOLVED:

1. that the contents of the Audit Plan/Audit Committee update be noted;
2. that discussion on fees for consultants should be placed on the Committees Forward Plan for June 2015;
3. that the Strategic Lead – Finance check any EDDC continuing financial liability for the Beehive Centre, Honiton

***50 Continuing to deliver value to East Devon District Council**

Barrie Morris of Grant Thornton presented a Briefing on 'Continuing to deliver value to East Devon District Council'. He wished to emphasis that the Council was a valued client of his firm and wished to emphasis this by proposing to undertake an independent client service review with the Council in the coming year. He asked for any feedback from the Committee or Council colleagues on areas we believed Grant Thornton could have improved its service.

Barrie Morris, Grant Thornton also summarised the services provided to the Council during the year and demonstrated how he felt that the firm had added value through the work they did with us. This was against a background of significantly reducing fees from Grant Thornton. He considered that local authorities, particularly District Councils, had responded very well to the financial challenges presented to them.

The Chairman wished to thank the external auditors for their report and their support of the Council's improvement.

RESOLVED: that the report be noted.

***51 EDDC Annual Internal Audit Plan for 2015-16**

Members considered the report of Andrew Ellins, Audit Manager, SWAP, on the EDDC Internal Audit Plan for 2015-16. As a key element of its governance arrangements the Council has a partnership arrangement with South West Audit Partnership to deliver an annual audit plan. The Audit Manager for SWAP, together with the Councils S151 Officer in consultation with the Senior Management Team had produced an Audit Plan for 2015-16 that required the approval of the Committee. Approval of this Audit Plan was a key role for the Committee.

Members noted that the Audit Plan had reduced the number of audit days from 400 to 376, but there were still 30 audit days allocated for ICT audits. Honiton Town Council had appointed SWAP to carry out an audit of the Beehive in the current year.

Councillor Geoff Pook asked whether there was a function for Audit & Governance to compare officers' reports in detail and whether they were giving Councillors enough information to make a worthwhile judgement on issues, particularly on complicated planning applications. He also asked whether SWAP could consider this as an issue in its Audit Plan, along with previously raised issues of fees for consultants to see if this was achieving best value for the Council.

RESOLVED:

1. that the Internal Audit Plan of 376 days for April 2015 to March 2016 be approved, subject to any potential changes made at the June 2015 Audit & Governance Committee;
2. that the Internal Audit Plan 2015/16 include consideration of the value of Consultants Fees and also whether members were receiving the right level of detail and information in officer reports to make worthwhile decisions;

***52 Statement of Accounts 2014/15 – updating of the Explanatory Forward and additional policy relating to Group Accounting**

Members considered the report of the Financial Services Manager with details of an additional accounting policy and information in the explanatory foreword and statements for the Members to consider relating to Group accounting.

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 required a paragraph in the Explanatory Forward, an additional Group Accounts policy and Group Information in the Statement of Accounts. There were no

changes required to the existing accounting policies. As it was considered best practice for the Audit & Governance Committee to approve the accounting policies to be adopted before the preparation of the accounts, the new policy was presented for members' consideration.

RESOLVED: that the additional Accounting policy on Group accounts be approved.

***53 Risk Management Review**

Members considered the report of the Management Information Officer; the Committee monitored high strategic and operational risks outside the bi-annual reporting. This followed a review of risks focusing on high risks by responsible officers to the end of January 2015.

It was noted that since the loss of the supporting people contract there were no risks that were considered high. The lack of a 5 year land supply was only considered to be an upper medium risk by the risk holder.

A full risk review would be undertaken in April and discussed at the June meeting of the Committee.

The Chairman thanked the Management Information Officer for her report.

RESOLVED: that the current status of the high risks until April 2015 be noted; a full risk review would then be undertaken and reported back to the Committee.

***54 Strategic Planning Policy**

Members noted that a draft report to the Committee had been prepared on the issue of Strategic Planning decision making, however officers were awaiting legal advice on the route that this should take through the Council's committee's before the report could be published. In light of this a verbal update on the assessment was given. Officers started by considering what was actually strategic, and considered that matters associated with the Local plan and the production of Development plan documents would be strategic but that in terms of applications only those for 50 dwellings or more and 5000sqm of industrial floor space would be strategic. The potential options considered in the report were:

- to transfer responsibility for Strategic Planning Policy to Cabinet – Legal advice was that planning application decisions had to be made by a specially constituted committee for this purpose and could not be made by an Executive Board and therefore this option had been dismissed. This was to prevent conflicts with other issues that the Cabinet would be considering given that planning applications had to be considered on their planning merits alone.
- Appointment of a new Strategic Planning and Development Committee to deal with strategic planning issues under the Chairmanship of the Strategic Development and Partnerships Portfolio Holder. This raised capacity issues for the Democratic Services section but would allow for appropriate separation and if appropriately constituted could comprise Members of both Development Management Committee and Cabinet to provide the required expertise.
- An option for Call-in of decisions of Development management Committee to Cabinet was considered by and raised the same concerns as Cabinet themselves considering planning applications.
- No change at all.

In officers opinion the appointment of a separate Strategic Planning and Development Committee would be the best option, potentially with quarterly meetings and special meetings being held when required.

Councillor Tony Howard considered that the Committee should be discussing putting in suitable officer resources to deal with strategic planning issues, including improving IT system and following best examples – Teignbridge District Council. It was important that EDDC had a 5 year land supply. Ed Freeman, Strategic Lead - Planning Strategy and Development Management, reported that as soon as the Local Plan was approved then the Council would have a 5 Year Land Supply and this risk would be mitigated.

Members acknowledged the importance of continuing to monitor the 5 year land supply and Ed Freeman reported that he was in the process of appointing a Development Monitoring Officer, part of whose role would be to monitor the Council's 5 Year Land Supply. Once adopted, the Local Plan would also be continually monitored and updated.

RESOLVED: that the report be noted.

55 Outcome of Office of Surveillance Commissioner Inspection, Regulation of Investigatory Powers (RIPA) annual report and RIPA policy update

The Committee received the report of the Corporate Legal and Democratic Services Manager on the outcome of Office of Surveillance Commissioner Inspection, Regulation of Investigatory Powers Act (RIPA) annual report and RIPA policy update. It was noted that no RIPA authorisations had taken place in the last year. Corporate training for authorising officers took place on 6 November 2013. Members were advised that new OCS guidance had been received in the past week which had been included in the resolutions below.

RESOLVED: 1. that the positive inspection report be noted and the implementation of the Office of the Surveillance Commissioner's recommendations be endorsed;

2. that the Regulation of Investigatory Powers Act (RIPA) Co-ordinating Officer's annual report be received;

RECOMMENDED. that approval be given to 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, this should include part of the standard operating procedure to take account of the new OCS advice.

***56 Audit and Governance Forward Plan**

The Committee noted the contents of the Forward Plan for 2015/16, which was updated during the meeting.

Members expressed a concern that the LED takeover of the Ocean Blue Bowling Building would represent a risk to the Council and were concerned that this be closely monitored. Andrew Ellins, SWAP reported that audit days had been allocated to LED in the 2015/16 Audit Plan.

Items to be considered at the June and subsequent Committee meetings included:

- Review of Internal Audit
- Strategic Planning policy update
- Internal Audit Activity – Quarter 1 2014/15

- Revenue and Capital Outturn Report 2014/15
- Annual Audit Report and Opinion
- Draft annual governance statement
- Office relocation project update
- Audit Committee update
- 5 year land supply update
Risk Management Review
- Discussion on fees for consultants
- 2015/16 Audit Fee letter - KPMG

RESOLVED: that the updated Forward Plan be noted.

Attendance list

Present:

Councillors

Ken Potter (Chairman)

Bob Buxton

Steve Gazzard

Steve Hall

Tony Howard

Geoff Pook

Apologies:

Peter Bowden

Roger Boote

David Cox

Officers:

Simon Davey, Strategic Lead - Finance

Richard Cohen, Deputy Chief Executive

Ed Freeman, Strategic Lead - Planning Strategy and Development Management

Joanne Avery, Management Information Officer

Laurelie Gifford – Financial Services Manager

Chris Lane, Democratic Services Officer

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

Barrie Morris, Senior Audit Manager, Grant Thornton

Ashley Allen, Senior Audit Manager, Grant Thornton

Chairman Date.....

Agenda Item 8

Audit and Governance Committee

Membership: 8 Councillors

Statement of Purpose

The purpose of the Audit and Governance Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Terms of reference

Consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.

Seek assurance that action is being taken on risk related issues identified by auditors and inspectors.

Be satisfied that the authority's assurance statements, including the Statement of Internal Control, properly reflect the risk environment and any actions required to improve it.

Following review of the effectiveness of the system of internal control, approval of the annual governance statement

Approve internal audit's strategy, annual work plan and monitor performance.

Review a summary of internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.

Receive the annual report of internal audit and review the effectiveness of internal audit..

Consider those reports of external audit and inspection agencies not the province of the Cabinet in addition to those referred to it by the Cabinet.

The monitoring of the use of the Regulation of Investigatory Powers Act.

Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.

Review the external auditor's opinion and reports to Members, and monitor management action in response to issues raised by external audit.

Approving the Council's annual statement of accounts, income and expenditure and balance sheet or record of receipts and payments.

To receive any issue referred to it by the Chief Executive, Monitoring Officer, head of Finance, or any Council body.



The Audit Plan for East Devon District Council

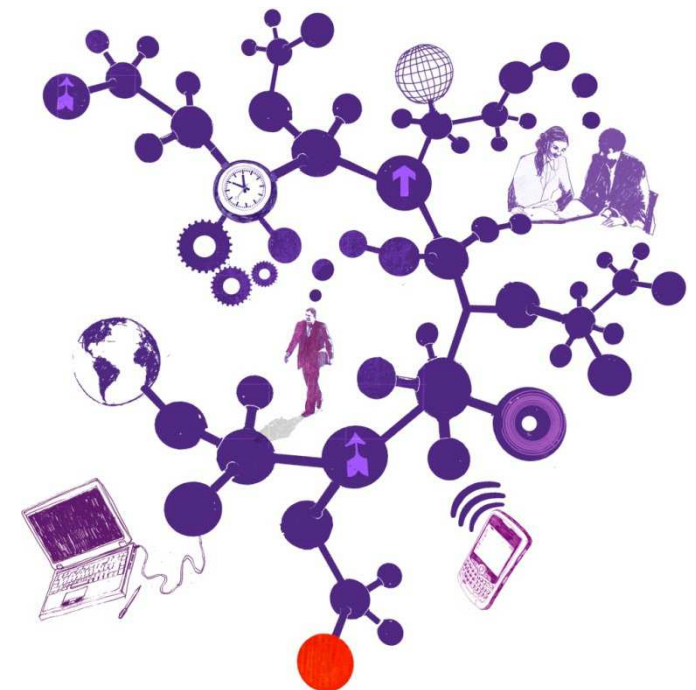
Year ended 31 March 2015

29 April 2015

Barrie Morris
Director
T 0117 305 7708
E barrie.morris@uk.gt.com

Ashley J Allen
Manager
T 0117 305 7629
E ashley.j.allen@uk.gt.com

David Jones
Executive
T 0117 305 7719
E david.r.jones@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

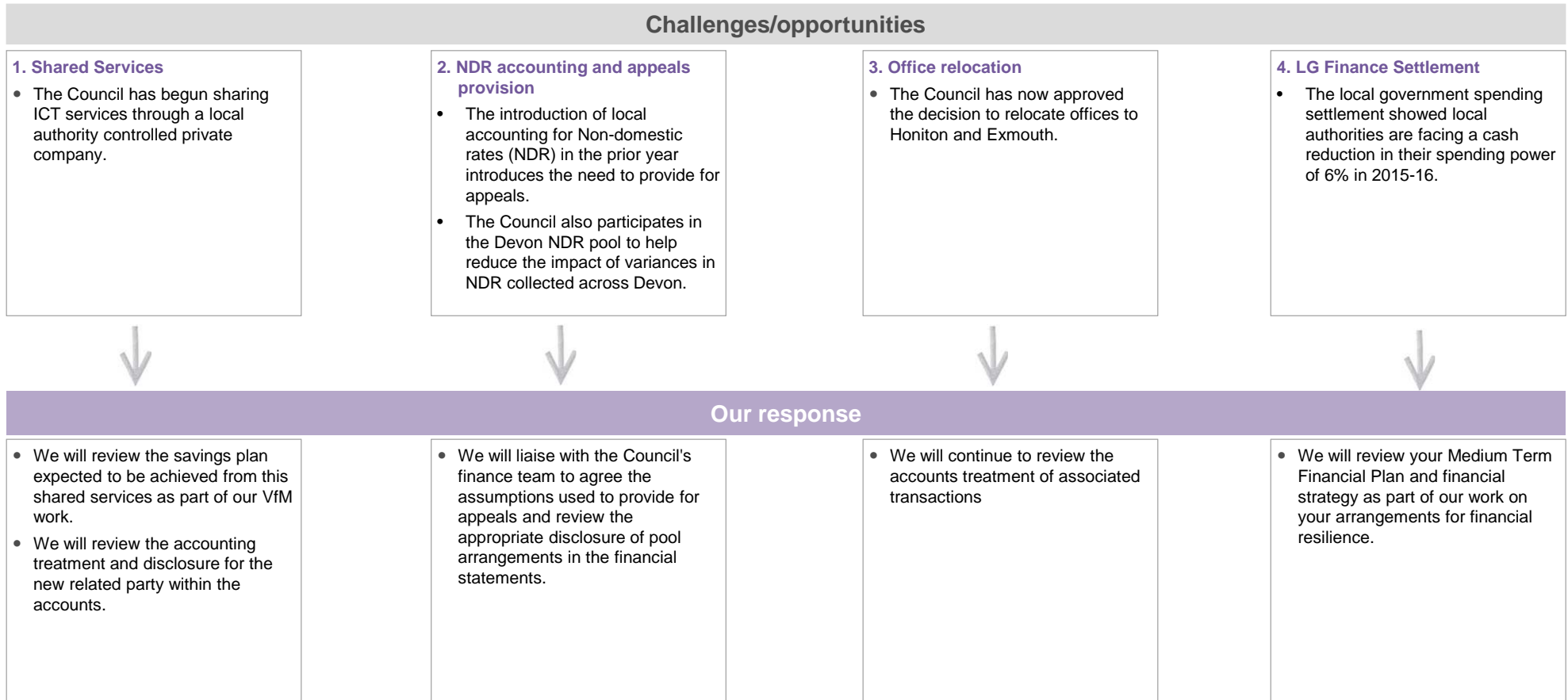
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.



Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

Developments and other requirements

1. Financial reporting

- Changes to the CIPFA Code of Practice
- Adoption of new group accounting standards (IFRS 10,11 and 12)

2. Legislation

- Local Government Finance settlement

3. Corporate governance

- Annual Governance Statement (AGS)
- Explanatory foreword

4. Financial Pressures

- Managing service provision with less resource
- Progress against savings plans

5. Other requirements

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion
- The Council completes grant claims and returns on which audit certification is required

Our response

We will ensure that

- the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing
- the group boundary is recognised in accordance with the Code and joint arrangements are accounted for correctly

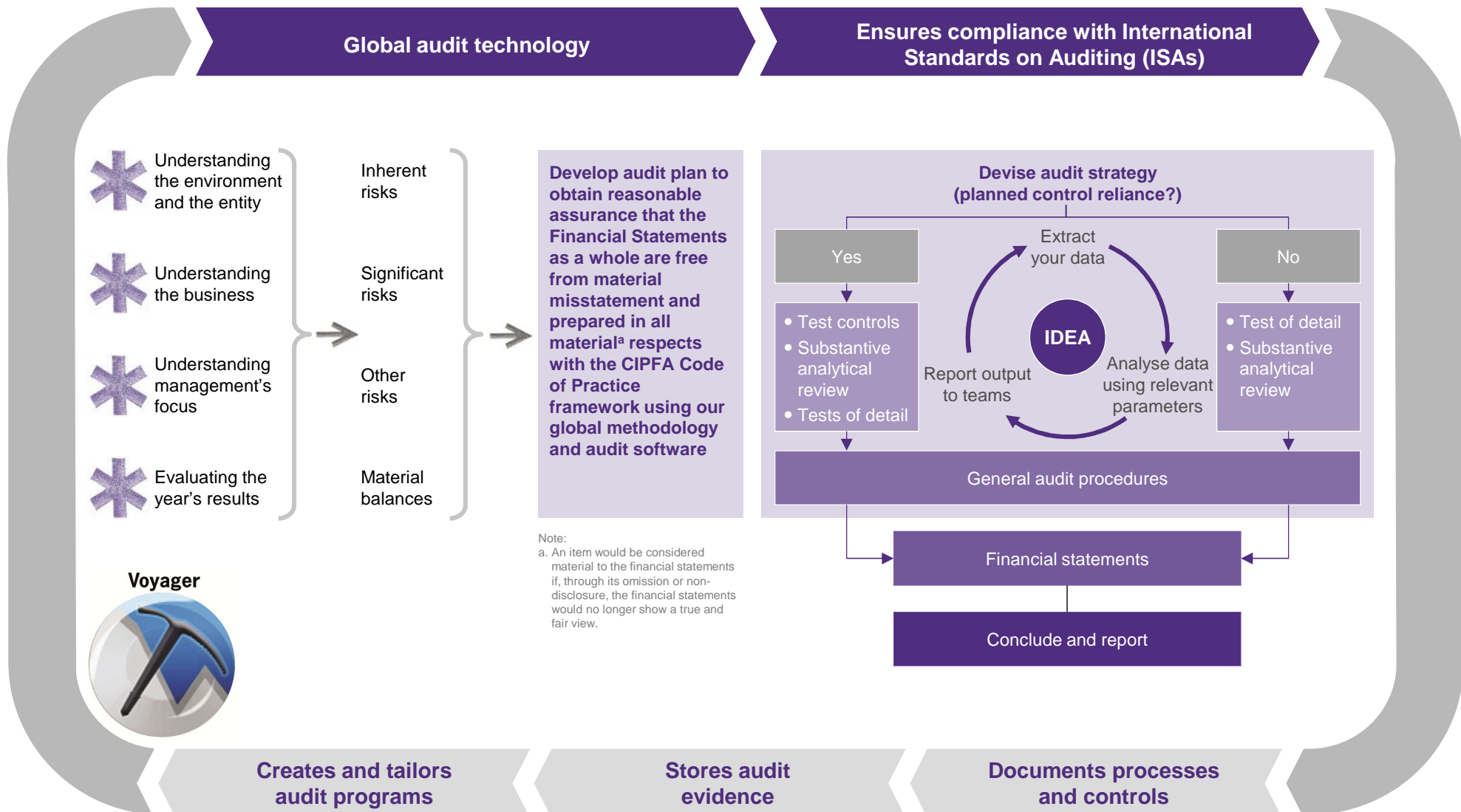
- We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate

- We will review the arrangements the Council has in place for the production of the AGS
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge

- We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan
- We will undertake a review of Financial Resilience as part of our VfM conclusion

- We will carry out work on the WGA pack in accordance with requirements
- We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company has taken over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.

Our audit approach



Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at East Devon District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including East Devon District Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of prior year accounting estimates, judgments and decisions made by management • Testing of journal entries to month nine <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for the remainder of the year • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit Approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough tests of design and operation of controls <p>Further work planned:</p> <ul style="list-style-type: none"> Search for unrecorded liabilities by testing after period payments Obtain an understanding of the accruals process and determine whether our understanding identifies areas where additional procedures are required Obtain written representations from management for significant assumptions used in estimates
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough tests of design and operation of controls Substantive testing of a sample of payroll payments to month nine <p>Further work planned:</p> <ul style="list-style-type: none"> Analytical procedures over the payroll figures throughout the year to ensure that it is reasonable and complete Substantive testing of a sample of payroll payments for the remainder of the year Reconciliation of the payroll system figures to the general ledger figures

Value for money

Value for money

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

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion. We will undertake work in the following areas to address the risks identified:

- review the Council's medium term financial planning regarding plan to balance budgets and responsiveness to changes
- review the transition of ICT services to Strata and savings achieved
- consider sickness absence and effect on service delivery

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

Results of interim audit work

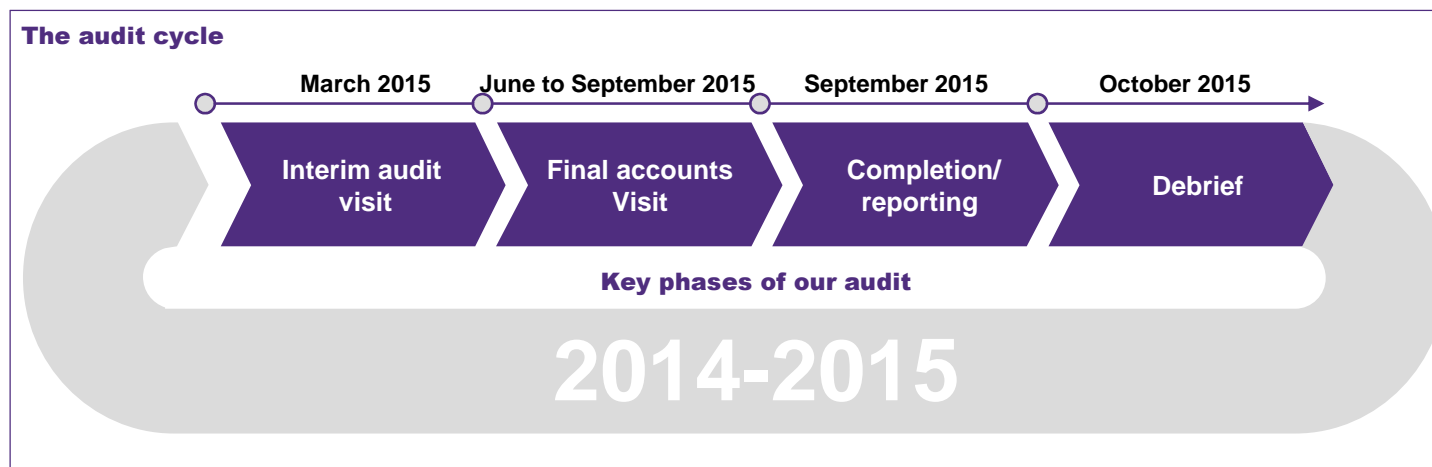
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

Results of interim audit work cont'd

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review.</p>	<p>No issues have been identified that we wish to highlight for your attention.</p> <p>We will undertake further detailed testing on journals created in the remainder of the financial year during the accounts audit.</p>
Early substantive testing	<p>We have undertaken early substantive testing of employee remuneration up to month nine and some initial trend analysis has been undertaken.</p>	<p>No issues have been identified that we wish to highlight for your information.</p> <p>We will complete further work on payroll payments for the remainder of the year as well as analytical procedures and reconciliation of payroll figures to the general ledger. We will also review senior managers remuneration, salary banding and exit packages disclosures, and agree these to underlying evidence.</p>
Value for money	<p>We have undertaken an initial review of your financial resilience risks and identified areas where some risks exist.</p>	<p>This will be further updated as the year progresses and we will report where risks still exist in our Audit Findings Report at the conclusion of the audit.</p>

Key dates



Date	Activity
January to March 2015	Planning
March 2015	Interim site visit
June 2015	Presentation of audit plan to Audit Committee
June to September 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Head of Finance
September 2015	Report audit findings to those charged with governance (Audit and Governance Committee)
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	67,761
Grant certification	10,810
Total fees (excluding VAT)	78,571

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services.'

Fees for other services

Service	Fees £
Annual subscription to Place Analytics service	5,000
Financial model services for the Council's office relocation project and benchmarking exercise of cost assumptions	23,216
TOTAL	28,216

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

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.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓



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Audit and Governance Committee Update for East Devon District Council

Year ended 31 March 2015

June 2015

Barrie Morris

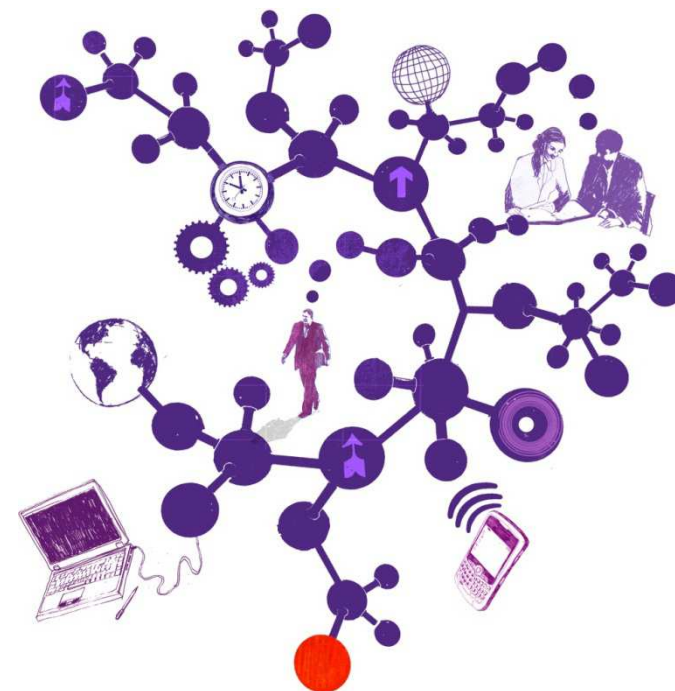
Director
T +44 (0) 117 305 7708
E barrie.morris@uk.gt.com

Ashley J Allen

Manager
T +44 (0) 117 305 7629
E ashley.j.allen@uk.gt.com

David Jones

Executive
T +44 (0) 117 305 7719
E david.r.jones@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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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, 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:

- Easing the burden: the impact of welfare reform on local government and the social housing sector
- Spreading their wings: building a successful local authority trading company

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.

Barrie Morris Engagement Lead **T** 0117 305 7708 **M** 07771 976684 **E** barrie.morris@uk.gt.com

Ashley J Allen Audit Manager **T** 0117 305 7629 **M** 07775 705341 **E** ashley.j.allen@uk.gt.com

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>2014/15 Accounts Audit Plan 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 Council's 2014/15 financial statements.</p>	April 2015	Yes	The audit plan is being presented as a separate item on the Audit and Governance Committee agenda on 25 June 2015.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial risk assessment to support the Value for Money conclusion 	January to April 2015	Yes	Our interim audit work has been completed and we summarised the findings in the audit plan referred to above.
<p>2014/15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion 	July to September 2015	Not yet due	

Progress at June 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>We are required to assess whether the Council has proper arrangements in place for:</p> <ul style="list-style-type: none"> • securing financial resilience • challenging how it secures economy, efficiency and effectiveness 	July to September 2015	Not yet due	
<p>2014/15 certification work</p> <p>This work is expected to cover housing benefits scheme claim.</p>	June to November 2015	Not yet due	
<p>Other activity undertaken</p> <p>Reporting to provide assurance over pooling of housing capital receipts return</p>	September 2015	Not yet due	Historically we have provided assurance on the pooling of housing capital receipts return as part of the certification work completed under the 2006 Audit Commission contract. New for 2014/15 the Council has to separately engage to have Independent Reporting on the return to provide assurance. We are discussing this with management and will update you in our next report.

Welfare Reform Review: Easing the burden

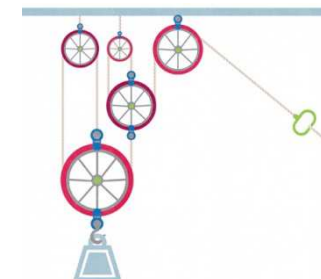
Grant Thornton

Our second welfare reform report, 'Easing the burden', followed on from 'Reaping the benefits?' to provide insight into the impact of welfare reform on English local authority and social housing organisations over the past two years.

It focused on the governance and management arrangements being put in place in England across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

Key messages:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed had seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There had been limited movement to smaller properties as a result of the spare room subsidy (also known as the bedroom tax) and benefit cap reforms, with generally less than 10% of those affected having moved according to our survey. The shortage of smaller properties for people to move into played a key role in this
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay. Ninety-five per cent of local authorities surveyed think that recipients of DHP allocations are either wholly or partly dependent on DHP to avoid homelessness in the longer-term. Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP and hardship funding, in addition to general funding reductions will inhibit the ability of local authorities and housing associations to pursue early intervention policies that avoid people falling into long-term benefit dependency. This will have cost implications for the medium- to long-term.
- The cost of administering housing benefit has risen as a result of welfare reform and now 47% of local authorities and 51% of housing associations surveyed said housing benefit is becoming significantly more costly to administer. This is partly due to the increased complexity of cases



Spreading their wings: Building a successful local authority trading company

Grant Thornton

'Spreading your wings' is the first in a series on alternative delivery models in local government. This report focuses on how to set up a local authority trading company and, importantly, how to make it successful.

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.



Inspection into the governance of Rotherham Council

Local government issues

On 4 February 2015 the Secretary of State for Communities and Local Government, Eric Pickles announced the publication of Louise Casey's report. Her inspection of the exercise of functions on governance, children and young people and taxi and private hire licensing states:

"Rotherham Metropolitan Borough Council is not fit for purpose. It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. In particular, it is failing in its duties to protect vulnerable children and young people from harm."

It summarises the following serious failings:

- a council in denial about serious and on-going safeguarding failures
- an archaic culture of sexism, bullying and discomfort around race
- failure to address past weaknesses, in particular in Children's Social Care
- weak and ineffective arrangements for taxi licensing which leave the public at risk
- ineffective leadership and management, including political leadership
- no shared vision, a partial management team and ineffective liaisons with partners
- culture of covering up uncomfortable truths, silencing whistle-blowers and
- paying off staff rather than dealing with difficult issues

The report has had widespread press coverage and the Secretary of State confirmed on 26 February 2015 that he had decided to nominate five commissioners to take over all of the council's executive functions and to begin a rapid improvement programme. He also confirmed that he would act to move Rotherham to 'all out' council elections from 2016.

Issues for consideration

Have members been briefed by your Head of Finance on:

- the headline messages from the inspection of aspects of Rotherham MBC's governance arrangements?
- whether there are any lessons to be learned by the authority and actions that need to be taken to strengthen its overall governance arrangements in response to the risk of child sexual abuse, including the robustness of member oversight, challenge and scrutiny?

DCLG – Build to rent scheme

Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion Build to Rent scheme, which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a How to rent guide, so tenants and landlords know their rights and what to expect when renting privately
- published a model tenancy agreement, so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Issues for consideration

Have members been briefed by your Head of Finance on the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Issues for consideration

- Has your Head of Finance reassessed the methodology for making the business rates provision?
- Has your Head of Finance got arrangements in place for the estimation of appeals to be charged against the provision?



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Report to: **Audit and Governance Committee**
Date of Meeting: 25 June 2015
Public Document: Yes
Exemption: None



Agenda item: **10**

Subject: South West Audit Partnership - EDDC Revised 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 Assistant Director for SWAP, together with the Council's S151 Officer and in consultation with the Senior Management Team produced an Audit Plan for 2015-16 that was presented for approval by the Audit and Governance Committee in March 2015.

The plan was approved, subject to the following resolution:
"that the Internal Audit Plan 2015/16 include consideration of the value of Consultants Fees and also whether members were receiving the right level of detail and information in officer reports to make worthwhile decisions."

The revisions to the 2015/16 Audit Plan have now been made and are re-presented to the Committee for Approval. These include the addition of the following Audits:

- Use of Consultants
- Committee Decisions.

These audits replace the audit on Regeneration, which has been removed from the Audit Plan.

Recommendation: **That the Audit and Governance Committee approve the revisions to 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: Jo George – Assistant Director (SWAP)
Jo.George@southwestaudit.co.uk

Financial implications: There are no direct financial implications



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

Equalities impact: Low Impact

Risk: Medium Risk

Links to background information: none

Link to Council Plan:

				
EDDC Audit Plan 2015-16		Planned Quarter	Days Planned	Rationale
Client Support			52	
Planning / Client Liaison	All Year	12	Audit Planning / S151 Liaison	
Corporate Advice	All Year	6	Guidance and advice on best practice	
Committee Reporting & Attendance	All Year	12	Audit & Governance Committees and Reports	
External Audit	All Year	2	Liaison with Grant Thornton	
Relocation Project Consultancy	All Year	20	Consultancy and Advice and adhoc projects	
Follow Up Audits			24	
Emergency Planning	Qtr1	4	Review 2014-15 Partial Assurances	
Enforcement Agents	Qtr3	4		
Private Water Supplies	Qtr2	4		
Streetscene Asset Inspections	Qtr1	4		
Tenancy Fraud	Qtr2	4		
Follow-Up Unallocated Q4	Qtr4	4		
ICT				35
Mobile Working	Qtr4	10	Risks to be agreed between ICT Manager and SWAP IT Audit Manager. ICT will include consultancy in respect of STRATA changes.	
Protective Marking	Qtr2	10		
Incident & Problem Management (Help Desk)	Qtr1	15		
Key Controls			75	
Council Tax / NDR	Qtr 3	10	Continuous assurance that the Councils Key Financial Systems are adequately controlled.	
Creditors	Qtr 3	10		
Debtors - Debt Management	Qtr 3	10		
Housing & Council Tax Benefits	Qtr 3	10		
Housing Rents	Qtr 3	10		
Main Accounting	Qtr 3	10		
Payroll	Qtr 3	10		
Treasury Management	Qtr 3	5		
Service Reviews			190	
Waste Services	Qtr4	20	SITA Contract	
Leisure East Devon	Qtr4	15	Focus on Operational risks	
Regeneration	(Removed)	0	Project Management	
Asset Register & Land Record Management	Qtr4	15	Legal ownership and Asset Management	
Environmental Health - Food Safety	Qtr2	15	Legislation and Enforcement	
Car Parks Income	Qtr1	15	Cash Collection and Enforcement	
Building Control Fees	Qtr1	15	Legislation, Invoicing	
Grants Awarded	Qtr4	15	Control over appropriate fund allocations	
S106 Discharge of Planning Obligations	Qtr1	15	New Legislation	
Civil Contingencies / Disaster Recovery	Qtr1	15	Emergency Planning Arrangements	
Careline - Home Safeguard	Qtr2	15	Safety and Income controls	
Expenses & Reimbursement Fraud Prevention	Qtr2	15	Cash and Receipt Controls	
Use of Consultants	Qtr2 (NEW)	10	Utilising Best Value	
Committee Decisions	Qtr4 (NEW)	10	Best Practice Review	
Total Planned Audit Days:			376	

Report to: **Audit and Governance Committee**
Date of Meeting: 25 June 2015
Public Document: Yes
Exemption: None



Agenda item: 11

Subject: **Internal Audit Charter**

Purpose of report: The internal audit service, provided by the South West Audit Partnership Ltd (SWAP), works to a charter that defines its roles and responsibilities and the roles and responsibilities of the District Council's managers. Best Practice in corporate governance requires that the charter be reviewed and approved annually by the Audit and Governance Committee. The Charter was last reviewed by the Audit Committee at their meeting on 26 June 2014.

The purpose of the report is to obtain endorsement from Members for the revised Internal Audit Charter for this year. Only minor updates (such as job titles) have been made to the Charter since it was approved by the Committee last June.

Recommendation: That the Audit and Governance Committee approve the Internal Audit Charter.

Reason for recommendation: To ensure that the Audit and Governance Committee is informed of the purpose of this Charter which is to set out the nature, role, responsibility, status and authority of internal auditing within East Devon District Council, and to outline the scope of internal audit work.

Officer: Jo George – Assistant Director (SWAP)
Jo.George@southwestaudit.co.uk

Financial implications: There are no direct financial implications

Legal implications: There are no legal implications requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

- Internal Audit Charter (Appendix A)

Link to Council Plan:

Internal Audit Charter

Purpose

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

Approval

This Charter was last approved by the Audit and Governance Committee on 26th June 2014.

Provision of Internal Audit Services

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

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

Role of Internal Audit

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

Responsibilities of Management and of Internal Audit

Management¹

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

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

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

Internal Audit

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

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

¹ In this instance Management refers to the EDDC Senior Management Team (SMT)

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

Relationship with the External Auditors/Other Regulatory Bodies

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

Status of Internal Audit in the Organisation

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

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

Scope and authority of Internal Audit work

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

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

- reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- evaluating and appraising the risks associated with areas under review and make proposals for improving the management of risks;
- appraise the effectiveness and reliability of the enterprise risk management framework and recommend improvements where necessary;
- assist management and Members to identify risks and controls with regard to the objectives of the Council and its services;
- reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether East Devon District Council is in compliance;
- reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- appraising the economy, efficiency and effectiveness with which resources are employed;
- reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- reviewing the operations of the council in support of the Council's anti-fraud and corruption policy.
- at the specific request of management, internal audit may provide consultancy services provided:
 - the internal auditors independence is not compromised
 - the internal audit service has the necessary skills to carry out the assignment, or can obtain such skills without undue cost or delay

- the scope of the consultancy assignment is clearly defined and management have made proper provision for resources within the annual audit plan
- management understand that the work being undertaken is not internal audit work.

Planning and Reporting

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

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

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

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

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

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

Revised February 2015 – Reapproved June 2015

Report to: **Audit and Governance Committee**
Date of Meeting: 25 June 2014
Public Document: Yes
Exemption: None



Agenda item: 12

Subject: **Internal Audit Plan – Review of 2014/15**

Purpose of report: This report provides the outturn position for the Internal Audit Plan at the end of 2014/15 and also provides Internal Audits overall opinion on the systems of internal control at East Devon District Council.

The Audit and Governance Committee agreed the 2014/15 Internal Audit plan at its March 2014 meeting. An update was provided for Quarters 1 and 2 in September 2014 and Quarter 3 in January 2015. This report is the final outturn position at the end of Quarter 4.

Appendix A – Detailed Internal Audit Annual Report and Opinion for 2014/15
Appendix B – Summary of Audit Progress and Opinions for the 2014/15 Audit Plan
Appendix C – Audit Opinion Definitions

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

Reason for recommendation: This report summarises the work of the Internal Audit Service for 2014/15 and provides;

- i) An overall positive assurance opinion on the Council’s framework of risk management, governance and internal control based upon the internal audit work undertaken during the year.
- ii) A summary report from the South West Audit Partnership (SWAP) and list of audit assignments undertaken by them during 2014/15, including the respective assurance ratings, ranking of any recommendations made and details of partial opinions during the last quarter.
- iii) Evidence in support of the “review of the effectiveness of internal audit” (Section 3), as required by the Accounts and Audit (England) Regulations 2011.

Officer: Jo George – Assistant Director (SWAP)
Jo.Goerge@southwestaudit.co.uk

Financial implications: There are no direct financial implications

Legal implications: There are no legal implications requiring comment.

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

Link to Council Plan:

- Approved Internal Audit Plan 2014/15 – Audit and Governance Meeting March 2014



Appendix A

East Devon District Council

Annual Report and Opinion 2014/15

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive of the Partnership

Tel: 01935 385906

gerry.cox@southwestaudit.co.uk

Dave Hill

Director of Planning

Tel: 01935 385906

david.hill@southwestaudit.co.uk

Jo George

Assistant Director

Tel: 01305 838315

Jo.George@southwestaudit.co.uk

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Annual Opinion:

The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.

Director of SWAP Opinion

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

I have considered the balance of audit work and outcomes against this environment and am able to offer reasonable assurance in respect of the areas reviewed during the year, as most were found to be adequately controlled. Generally risks are well managed but some areas require the introduction or improvement of internal controls to ensure the achievement of objectives.

Annual Opinion:

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

Purpose of Report and Recommendation

The Accounts and Audit Regulations (England) 2011 requires public authorities to publish an Annual Report. The Internal Audit service for East Devon District Council is provided by the South West Audit Partnership (SWAP). SWAP work is completed to comply with the International Professional Practices Framework of the Institute of Internal Auditors, further guided by interpretation provided by the PSIAS. The work of the partnership is guided by the Internal Audit Charter which is reviewed annually. Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work of the service is based on the Annual Plan agreed by Senior Management and this Committee. This report summarises the activity of SWAP for the year April 2014 to March 2015.

- present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance bodies
- draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement
- compare the work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and criteria
- comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

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

Annual Opinion:

The Director of Planning is required to provide an annual opinion report to support the Annual Governance Statement.

Background

The schedule provided at Appendix B contains a list of all audits agreed for inclusion in the Annual Audit Plan 2014/15 and the final outturn for the financial year. Members will note that the audit plan should always remain flexible and for 2014/15 there were many changes. These have been reflected in Appendix B.

In total, 21 audit reviews have been undertaken during the year. An additional 5 audits were removed from the plan in agreement with the S151 Officer as they were no longer relevant. A further 3 audits were deferred at the client request and are included in 2015/16 audit plan. The time was instead spent on increased levels of testing for audits receiving partial assurance, and the addition of 1 operational audit.

It is important that Members are aware of the status of all audits and that this information helps them place reliance on the work of Internal Audit and its ability to complete the plan as agreed.

A breakdown of these 21 audit assignments is as follows:

Operational Audits	8	ICT Audits	3
Key Controls	3	Advice/ Consultancy	1
Governance	5	Follow Up Work	1

Each completed assignment includes its respective “assurance opinion” rating together with the number and relative ranking of recommendations that have been raised with management. The assurance opinion ratings have been determined in accordance with the Internal Audit “Audit Framework Definitions”.

Summary of Work 2014/15

Internal Audit Work Programme

The agreed Annual Audit Plan covers the following key areas of Activity:

- Operational Audit
- Key Control Audit
- Governance Audit
- ICT Audit
- Follow Up
- Other Reviews

Completed Audit Assignments 2014/15

The Annual Audit Report and Opinion covers the following key areas of Activity:

- OPERATIONAL AUDITS
- SPECIAL PROJECTS
- CERTIFICATION WORK
- FOLLOW UP WORK

Audits Completed

Operational Audits are a detailed evaluation of a service or functions control environment. A risk evaluation matrix is devised and controls are tested.

11 Operational Audits (including ICT) were undertaken by SWAP for the period April 2014 to March 2015. 1 audit is at “draft report status”, 1 is “in progress” and 9 have now been completed to “final report status”. Of the 9 reports that have been issued to final stage 3 received “partial assurance” rating. Of the 9 reports that were issued to final report status, some 71 actions for improvement were agreed with Management.

Governance Audits Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. 5 Governance Audits were undertaken by SWAP for the period April 2014 to March 2015. 2 audits are at “draft report status”, but are expected to be finalised in the near future. Of the 3 reports issued to final stage, 2 received “partial Assurance” rating. Of the 3 reports issued to final report status, some 33 actions for improvement were agreed with Management.

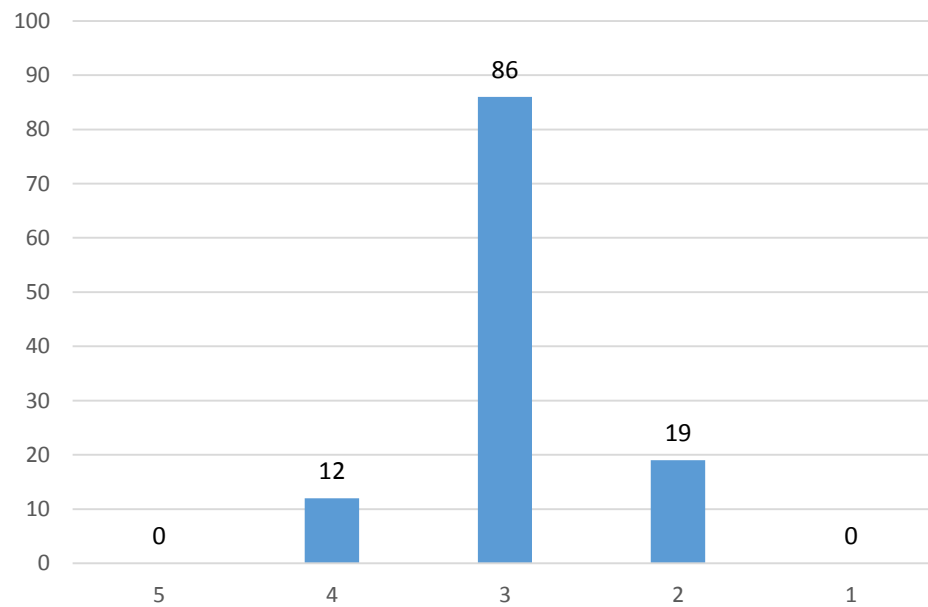
Key Control Audits are completed to assist the External Auditor in their assessment of the Council’s financial control environment. It is essential that all key controls identified by the External Auditors are operating effectively to provide management with the necessary assurance that there is a satisfactory framework of internal control. 3 Key Control audits were completed in the period, all receiving “Reasonable” assurance. A total of 13 recommendations were agreed with Management.

Special Projects – SWAP attended the Officer Working Group of the Relocation project throughout the year to advise on risk, governance and other best practice solutions as required.

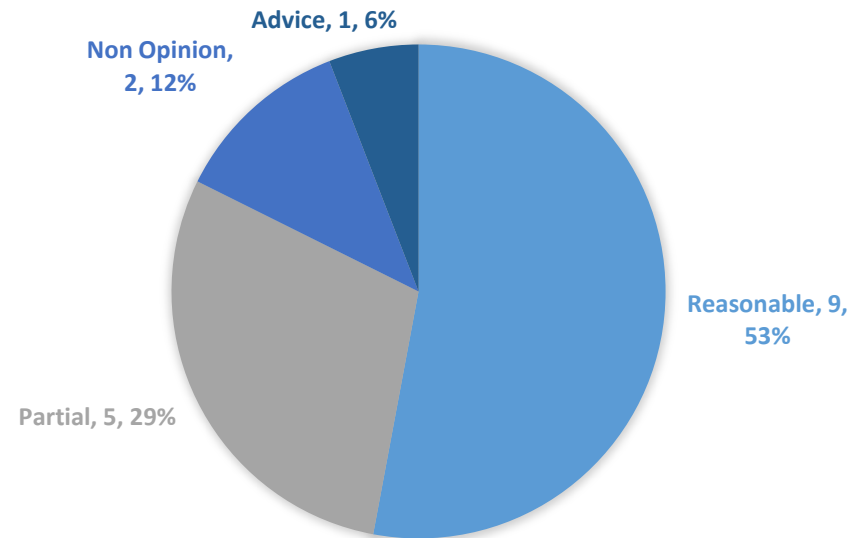
Follow Up Audits - are carried out to confirm that any recommendations from the original audit, where a “partial” opinion was afforded, have been completed as agreed. 1 Follow Up Audit was undertaken during the period April 2014 to March 2015. Although there were action points outstanding, we were satisfied at the time of the audit that the implementation of these recommendations were being actively managed.

Summary of Control Assurance and Recommendations

Audit Recommendations by Priority



Control Assurance by % Category



Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

SWAP Performance

SWAP now provides the Internal Audit service for 13 Councils and additionally many subsidiary bodies.

Performance Target	Average Performance
<p style="text-align: center;"><u>Audit Plan</u></p> <p>Percentage Completion 90% or more</p>	<p style="text-align: center;">95% (2013/14 – 88%)</p> <p>The remaining 1 reviews will be completed by the early July 2015</p>
<p style="text-align: center;"><u>Draft Report</u></p> <p>Reports Issued within 5 working days</p> <p>Reports issued within 10 working days</p>	<p style="text-align: center;">60% (2013/14– 76%)</p> <p style="text-align: center;">67% (2013/14 – 85%)</p>
<p style="text-align: center;"><u>Final Reports</u></p> <p>Reports issued within 10 working days of discussion of draft report</p>	<p style="text-align: center;">47% (2013/14 - 73%)</p>
<p style="text-align: center;"><u>Quality of Audit Work</u></p> <p>Individual Audit Assignment Feedback - ‘Customer Satisfaction Questions’</p>	<p style="text-align: center;">81% (2013/14 – 80%)</p>

Performance:

The Chief Executive of the Partnership reports performance on a regular basis.

SWAP Performance

With regards to the 2014/15 Annual Plan for East Devon District Council, 21 reviews undertaken of which 1 remain in progress equating to a completion rate of 95%. It was necessary to defer or remove a number of assignments to accommodate additional work undertaken and allow additional testing to be carried out on some audits that received partial assurance. For the review still showing as 'In Progress', testing has been completed and this are targeted to be finalised in early July 2015.

At the close of each audit review a Customer Satisfaction Questionnaire is sent out to the service manager of nominated officer. The aim of the questionnaires is to gauge satisfaction against timeliness, quality and professionalism. As part of the Balanced Scorecard presented to the SWAP Board, a target of 85% is set where 75% would represent good.

The latest Scorecard across the Partnership shows the current average feedback score to be 83%. For East Devon District Council the average feedback score was 81%. As agreed with Members of this Committee, reporting on feedback during 2014/15 will be more detailed allowing greater assessment of feedback provided but also to identify those not received.

SWAP have not been able to undertake any accurate Benchmarking work as there are very few Partnerships of its size or structure. It is also not possible to obtain information on Private Sector costs from which to draw comparisons. I am pleased to report however that for another consecutive year there has been no increase in the audit day rate for East Devon District Council.

East Devon District Council Audit Plan Progress 2014/15 - Qtr 4 Update

APPENDIX B

Audit Type	Audit Title	Quarter	Status	Opinion	No. of recs	Major - Recommendations - Minor				
						5	4	3	2	1
Governance, Fraud &	EDDC Statutory Officers	1	Draft		0	0	0	0	0	0
ICT	EDDC_Disaster Recovery	1	Final	Reasonable	8	0	1	6	1	0
ICT	EDDC_ICT Shared Service	1	Final	Non opinion	0	0	0	0	0	0
Operational	Enforcement Agents	1	Final	Partial	20	0	3	15	2	0
Operational	Emergency Planning	1	Final	Partial	12	0	2	7	3	0
Operational	Estates Management	1	Final	Reasonable	3	0	0	2	1	0
Follow Up	Procurement Cards Follow Up	2	Final	Non opinion	0	0	0	0	0	0
Governance, Fraud &	Tenancy Fraud	2	Final	Partial	13	0	2	11	0	0
Governance, Fraud &	Absence Management Theme	2	Removed		0	0	0	0	0	0
Governance, Fraud &	Private Water Supply Regulation Theme	2	Final	Partial	10	0	0	10	0	0
ICT	Protective Marking	2	Deferred		0	0	0	0	0	0
Operational	Homelessness Prevention	2	Final	Reasonable	5	0	0	5	0	0
Operational	Contract Management – Responsive repairs	2	Final	Reasonable	7	0	0	7	0	0
Governance, Fraud &	Payroll Starters & Leavers Theme	3	Deferred		0	0	0	0	0	0
ICT	E-Procurement	3	Final	Reasonable	9	0	0	7	2	0
ICT	EDDC_Mobile and Remote Working	3	Deferred		0	0	0	0	0	0
Key Control	Main Accounting	3	Final	Reasonable	2	0	0	2	0	0
Key Control	Council Tax / NDR	3	Final	Reasonable	7	0	0	1	6	0
Key Control	Housing & Council Tax Benefits	3	Final	Reasonable	4	0	0	3	1	0
Operational	Remote and Mobile Working	3	Removed		0	0	0	0	0	0
Follow Up	Streetscene Asset Inspections (public safety)	4	Removed		0	0	0	0	0	0
Governance, Fraud &	Recruitment and Vetting Fraud Theme	4	Draft		0	0	0	0	0	0
Governance, Fraud &	VAT Theme	4	Final	Reasonable	10	0	1	6	3	0
Operational	Cash Collection	4	Removed		0	0	0	0	0	0
Operational	Council Homes	4	Removed		0	0	0	0	0	0
Operational	Leisure East Devon	4	In Progress		0	0	0	0	0	0
Operational	Regeneration	4	Draft		0	0	0	0	0	0
Operational	SITA Waste Collection Contract 2014-15	4	Final	Partial	7	0	3	4	0	0
Advice/ Consultancy	Council Office Relocation	1-4	Ongoing	Non opinion	0	0	0	0	0	0

Audit Framework Definitions

Control Assurance Definitions

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

Categorisation Of Recommendations

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

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

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

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

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

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

Definitions of Risk

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

Report to: **Audit and Governance Committee**
Date of Meeting: 25 June 2015
Public Document: Yes
Exemption: None



Agenda item: 13

Subject: **Year end full risk review of 2014/15**

Purpose of report: Risk information for the 2014/15 financial year until end March 2015 is supplied to allow the Audit and Governance Committee to monitor the risk status of Strategic and Operational Risks. This follows the year end full review of risks by responsible officers for 2014/15.

Recommendation: **1. That the Audit and Governance Committee considers the current status of risks following the full risk review undertaken in March/April 2015.**

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

ext 2332

Financial implications: There are no direct financial implications.

Legal implications: There are no direct legal implications

Equalities impact: Low Impact

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 Risk Review Report – high and upper medium risks with control action detail to April 2015](#)
- [Appendix B – The Risk Review Report – medium and low risks only to April 2015](#)
- [Appendix C - Explanations and definitions.](#)

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

Report in full

1. The EDDC's Risk Management Policy requires all risks identified by the council to be reviewed bi-annually. There are currently 12 Strategic and 107 Operational Risks, each when first identified were considered high or medium level risks which required some form of mitigation through control actions. For this year end full review for 2014/15 all risk owners were asked to reassess the overall risk, update their control action/s and re-score the risk to give a residual score in light of the mitigation from the control actions undertaken.
2. In the full risk register there no risks currently scored as high. There are 14 risks in the upper medium section scoring eight and above. Further information including control actions for upper medium risks can be found at [appendix A](#).
3. All services were asked to highlight any new and emerging risks with no new risks being put forward.
4. A report showing the medium and low level risks without control actions appears in [appendix B](#).
5. Number of risks in each service by score showing movement from the previous review to this year end review.

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

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

Housing	High	Medium	Low
<i>This review</i>		12	9
<i>Previous review</i>	1	11	10

Environment	High	Medium	Low
<i>This review</i>		6	8
<i>Previous review</i>		5	9

Legal & Democratic	High	Medium	Low
<i>This review</i>		10	4
<i>Previous review</i>		9	5

Organisational Development	High	Medium	Low
<i>This review</i>		1	10
<i>Previous review</i>		1	10

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

Strategic Risks	High	Medium	Low
<i>This review</i>		9	3
<i>Previous review</i>		12	

6. An explanation and definitions of these risks including the risk matrix can be found in [appendix C](#).

High and upper medium risks only with control action (SR & OR)

Report for 2014/2015

Filtered by Flag: Include: Strategic Risks, Operational Risk

Exclude: Archive

Filtered by Performance Status: Include Risk Status: Medium, High

Not Including Projects records, Including Control Action records

Key to Performance Status:

Control Action:	No longer required	No Data available	Not Effective	in Planning / Progress	Completed	Working and Effective
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Risks:	No Data (0+)	High (12+)	Medium (6+)	Low (1+)
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High and upper medium risks only with control action (SR & OR)

Risk: Loss of rental income Significant loss or non collection of rental income will have a major impact on the Housing Revenue Account and our ability to deliver housing services to our tenants.

Pure Status: High (12) Pure Risk Impact: Serious Pure Risk Likelihood: Very Likely

Residual Status: Medium (9) Residual Risk Impact: Serious Residual Risk Likelihood: Likely

Date Identified: 01 Oct 2009 Service: Housing

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Intervention when arrears occur	Clear and robust procedures for intervention when tenant arrears escalate beyond a specified level.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	New tenancy 'sign up'	Early guidance to new tenants on expectations for rent payments and the implications of non payment. Tenant Handbook and Systems Thinking redesign emphasises this approach.	Sue Bewes	02/10/2009	31/03/2015
Working and Effective	Patch working	Internal Audit will be consulted before any changes in operational practice is implemented through Systems Thinking Redesign.	Sue Bewes	12/05/2010	31/03/2015
Working and Effective	Procedures for income management	Comprehensive and up to date procedures for income management that staff are trained in and understand fully.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	Promote help that can be provided	Promote Credit Unions and use of Discretionary Housing Payments	Sue Bewes	31/03/2013	31/03/2015
Working and Effective	Provision made for increased bad debt	Provision made for increased bad debt	Sue Bewes	31/03/2013	31/03/2015
Working and Effective	Rent payment methods	Operating a number of payment methods for tenants including direct debit availability for all tenants.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	Segregation of duties	Annual audit reports refer to segregation of duties (rent collection and debt creation) and this is a mitigated risk in a small Rental	Peter Richards	12/05/2010	31/03/2015

High and upper medium risks only with control action (SR & OR)

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
		Section where existing controls attempt to prevent fraud.			
Working and Effective	Systems Thinking Regime	Tenant Handbook and Systems Thinking redesign.	John Golding	02/10/2009	31/03/2015
Working and Effective	Welfare Advisors appointed	Welfare Advisors appointed to provide advice and information to tenants	Sue Bewes	31/03/2013	31/03/2015
Responsible Officer: Sue Bewes					
Review Note:					

Risk: New-Build Council Homes The risks associated with being a developer of council homes, especially with regards potential abortive costs, cost overruns, failure to obtain planning permission and loss of HCA grant.

Pure Status: High (16)	Pure Risk Impact: Major	Pure Risk Likelihood: Very Likely
Residual Status: Medium (9)	Residual Risk Impact: Serious	Residual Risk Likelihood: Likely
Date Identified: 01 Oct 2009		Service: Housing

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Development expertise	Ensure that we have the necessary development expertise through the appointment of external consultants and we engage appropriate internal advice on planning, legal, and property matters.	John Golding	02/10/2009	31/03/2015
Working and Effective	Homes and Community Agency (HCA) bids and grants	Ensure that we can comply with all the bidding requirements set by the HCA as part of the Investment Management System.	John Golding	02/10/2009	31/03/2015
Working and Effective	Joining Partnership South West development consortium	Can call on development expertise of experienced housing association developers.	John Golding	15/09/2011	31/03/2015
Working and Effective	Robust development proposals	Ensure that building proposals have been carefully assessed and realistic prior to bids for HCA grant, planning permission, tender etc.	John Golding	02/10/2009	31/03/2015
Responsible Officer: John Golding					
Review Note: Developer risk has been mitigated by the appointment of a Senior Technical Officer (Assets) and utilising their expertise on any projects we take forward. We attempt to de-risk projects by careful analysis and accurate costings with contingencies.					

High and upper medium risks only with control action (SR & OR)

Risk: Safeguarding Children Failure to notify the responsible authority when staff suspect a child is at risk.

Pure Status: High (12)	Pure Risk Impact: Major	Pure Risk Likelihood: Likely
Residual Status: Medium (9)	Residual Risk Impact: Serious	Residual Risk Likelihood: Likely
Date Identified: 01 Oct 2009		Service: Housing

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Email reminder from Corporate Director	Following the audit review of the Council's arrangements for safeguarding children the Corporate Director has sent global email reminding staff to be vigilant.	John Golding	02/11/2009	31/03/2015
in Planning / Progress	Liaison with the Children's Trust	Close liaison and joint working with the Children's Trust and Social Services to ensure that we are up to date with developments in child protection.	John Golding	02/10/2009	31/03/2015
Working and Effective	Safeguarding Children Policy	Ensure that all staff are aware of the policy and their responsibility to report suspicions of the need for child protection.	John Golding	02/10/2009	31/03/2015
Working and Effective	Staff training	DVD training available	John Golding	02/11/2009	31/03/2015

Responsible Officer: John Golding

Review Note: The risk impact level for this risk remains because of all the media attention this area now generates when things go wrong. We have seen a good number of child protection cases where partner agencies are being implicated (not just the fault of Social Services). We have also seen failures that result in the death of a child. We have updated the Safeguarding Children Policy adopted and promoted it internally. We have formed a Devon local authority safeguarding group and are seeing better sharing of information and good practice.

High and upper medium risks only with control action (SR & OR)

Risk: Failure to protect against tenancy fraud Failure to protect the council and its existing and prospective tenants against tenancy fraud, which may be the granting of a property to an inappropriate person or where a tenant illegally sublets.

Pure Status: High (12) **Pure Risk Impact: Serious** **Pure Risk Likelihood: Very Likely**

Residual Status: Medium (9) **Residual Risk Impact: Serious** **Residual Risk Likelihood: Likely**

Date Identified: 13 Oct 2009

Service: Housing

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Occupancy checks on tenants in temporary and general accommodation	Periodic and targeted occupancy checks undertaken to determine the appropriate occupier is residing in the property.	Dennis Boobier	13/10/2009	31/03/2015
Working and Effective	Social housing fraud initiative	Subscribing to the national fraud prevention initiative and following Audit Commission advice.	Dennis Boobier	13/10/2009	31/03/2015
Working and Effective	Tenancy Fraud Strategy	Strategy agreed by the Housing Review Board to be implemented.	Dennis Boobier	04/05/2011	31/03/2015
Working and Effective	Tenancy 'sign up' checks	Undertaking a series of checks on identity and circumstances at tenancy 'sign up' to ensure the tenancy is being grant to an appropriate person.	Dennis Boobier	13/10/2009	31/03/2015

Responsible Officer: Sue Bewes

Review Note:

High and upper medium risks only with control action (SR & OR)

Risk: Failure to comply with constitutional and legal requirements Failure to implement adequate processes and/or obtain sufficient resources to ensure legislative compliance.

Pure Status: Medium (9)	Pure Risk Impact: Serious	Pure Risk Likelihood: Likely
Residual Status: Medium (9)	Residual Risk Impact: Serious	Residual Risk Likelihood: Likely
Date Identified: 28 Oct 2009		Service: Legal, Licensing and Democratic Services

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Budgets	Seek resources to implement statutory change on annual basis	Henry Gordon Lennox	29/10/2009	31/03/2015
Working and Effective	Keeping constitution updated	Report to annual council on proposed changes following request to all heads of service/directors to identify/amend delegations and constitutional processes as required in light of legislative change a	Henry Gordon Lennox	29/10/2009	31/03/2015
Working and Effective	Monitoring Officer carries out statutory duties	Reports to Council as necessary on existing or impending statutory breaches	Henry Gordon Lennox	29/10/2009	31/03/2015
Working and Effective	Service planning	Annual process; identify and implement any necessary changes to deal with legislative change including staffing	Henry Gordon Lennox	29/10/2009	31/03/2015

Responsible Officer: Henry Gordon Lennox

Review Note: It depends on the nature of the matter where the risk occurs, but this does have the potential to be serious over significant.

High and upper medium risks only with control action (SR & OR)

Risk: Failure to ensure we have an agreed Local Plan Failure to ensure we have an agreed Local Plan would affect our ability to deliver the appropriate levels of new homes and employment opportunities through land allocations across the district. Furthermore the absence of an up to date local plan inhibits our ability to deliver optimal sustainable development for the District infrastructure and the Council's growth and redevelopment plans across the district. This could result in unplanned development and affect the economic viability of the district.

Pure Status: High (12) **Pure Risk Impact: Serious** **Pure Risk Likelihood: Very Likely**

Residual Status: Medium (9) **Residual Risk Impact: Serious** **Residual Risk Likelihood: Likely**

Date Identified: 20 Jan 2010

Service: Strategic Risks

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Completed	Agree and adhere to a plan and timeline for response to Inspector in line with his requirements	Following the Local Plan inspection a revised timetable has been agreed with the Inspector and officers are working to meet his requirements. Challenges include duty to co-operate and management of additional information / tasks including SHMA and G&T	Richard Cohen	02/05/2012	31/03/2015
Completed	Complete additional tasks to meet Inspector's requirements	Complete additional evidence gathering, modifications, consultation and other tasks to meet Inspector's requirements as of March 2015. SHMA agreed with and new homes target submitted to Inspectors in preparation for further consultation April / May 2015. EDDC now has a 5 year land supply in place	Richard Cohen	31/03/2014	31/03/2015
in Planning / Progress	Secure an approved new Local Plan for East Devon	Local plan enquiry to resume July 2015. Subject to satisfactory conclusion Local Plan adoption end 2015.	Richard Cohen	20/01/2010	31/03/2015

Responsible Officer: Richard Cohen

Review Note: Timetable for inspection re-established following the completion of the SHMA and approval by DMC and Council of revised local plan draft. The Inspector has agreed the draft goes to consultation and inspection planned for July 2015. As part of the process EDDC has now secured a 5 year land supply.

This is significant progress and a greater degree of certainty but the importance of the local plan is reflected in the retained scoring for likelihood and impact.

High and upper medium risks only with control action (SR & OR)

Risk: Unforeseen expenditure on council homes Unplanned need to spend on repairs and maintenance

Pure Status: Medium (6) **Pure Risk Impact: Serious** **Pure Risk Likelihood: Unlikely**

Residual Status: Medium (9) **Residual Risk Impact: Serious** **Residual Risk Likelihood: Likely**

Date Identified: 07 Sep 2012 **Service: Housing**

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	HRA Business Plan	The HRA Business Plan captures known items of major expenditure and is designed to maintain the Council's assests.	John Golding	31/03/2013	31/03/2015
Working and Effective	Improvement programmes	We devise five year improvement programme to ensure that the housing stock is fit for purpose.	John Golding	31/03/2013	31/03/2015
Working and Effective	Insurance	Council homes are insured.	John Golding	31/03/2013	31/03/2015
Completed	Stock survey information	We use stock condition information to predict major expenditure and plan spend over a number of years.	John Golding	31/03/2013	31/03/2015

Responsible Officer: John Golding

Review Note: We have seen weather related water penetration damage over the winter. Budget surpluses will allow for a certain amount of unforeseen expenditure.

High and upper medium risks only with control action (SR & OR)

Risk: Home Safeguard system failure An IT failure would result in the Council being unable to receive emergency calls from clients with Home Safeguard alarm equipment installed in their homes. This could result in emergency calls remaining unanswered and the worst case scenario of a death of an elderly or vulnerable client.

Pure Status: High (16) **Pure Risk Impact: Major** **Pure Risk Likelihood: Very Likely**

Residual Status: Medium (8) **Residual Risk Impact: Major** **Residual Risk Likelihood: Unlikely**

Date Identified: 01 Oct 2009

Service: Housing

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Disaster recovery process	Ability to transfer calls to Burnside office in Exmouth	Sue Bewes	01/10/2009	31/03/2015
Working and Effective	Maintenance contract	Contract with software supplier with 4 hour response time.	Sue Bewes	01/10/2009	31/03/2015
Working and Effective	Staff trained on system failure	Staff manual and training provided for staff to action in an emergency	Sue Bewes	01/10/2009	31/03/2015
Working and Effective	Upgraded / New UPS system	Upgrade and installation of new UPS system at same time as PNC6 system installed to ensure no break in service/availability in power/back up is experienced.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	UPS system	Uninterrupted Power Supply installed	Sue Bewes	01/10/2009	31/03/2015

Responsible Officer: Sue Bewes

Review Note:

High and upper medium risks only with control action (SR & OR)

Risk: Lone working - Landlord Services Failure to protect staff who are lone working in the community.

Pure Status: High (16) **Pure Risk Impact: Major** **Pure Risk Likelihood: Very Likely**

Residual Status: Medium (8) **Residual Risk Impact: Major** **Residual Risk Likelihood: Unlikely**

Date Identified: 01 Oct 2009

Service: Housing

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Bespoke Lone Working Arrangements	Each section within Housing have their own Lone Working procedures and practices. In most cases, in practice, the employee phones in and gives an update on their whereabouts during the day.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	Health & Safety Advisor	The Council has an officer dedicated to ensuring the Health & Safety of Employees who gives advice where necessary.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	Home Safeguard monitoring of lone workers	From April 2010 offer staff the lone worker monitoring facility through the PNC6 system at Home Safeguard.	Sue Bewes	28/10/2009	31/03/2015
Working and Effective	Lone Working Policy and associated training	Ensure that all staff are aware of and follow the Lone Working Policy and procedures designed to protect their safety. Ensure all relevant staff attend training.	Sue Bewes	02/10/2009	31/03/2015

Responsible Officer: Sue Bewes

Review Note:

High and upper medium risks only with control action (SR & OR)

Risk: Business failure of a major contractor or significant partner Failure of a major contractor to delivery key services in accordance with the specification /service level agreement or a significant partnership fails through a legal, financial, reputational, relationship or governance issue resulting in service failure.

Pure Status: High (12)	Pure Risk Impact: Major	Pure Risk Likelihood: Likely
Residual Status: Medium (8)	Residual Risk Impact: Major	Residual Risk Likelihood: Unlikely
Date Identified: 02 Oct 2009		Service: Strategic Risks

Control Action records					
Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
in Planning / Progress	Pre tender selection procedure	Pre-tender selection process aims to ensure only those contractors with the technical expertise, performance history and financial standing are invited to tender in accordance with CSO's.	Simon Davey	02/10/2009	31/03/2015
in Planning / Progress	Service lead to consider at pre contractual stage a fall back position	Service lead to consider at pre contractual stage what the fall back position would be in terms of contract failure and how to provide for this	Henry Gordon Lennox	23/09/2013	31/03/2015
in Planning / Progress	Service lead to regularly monitor service delivery against performance targets on contracts	Service leads to regularly monitor service delivery against performance targets on contracts and advise legal and finance of significant breaches of contract at an early stage.	Henry Gordon Lennox	23/09/2013	31/03/2015
in Planning / Progress	Service leads to keep the corporate contracts register up to date.	Service leads to keep the corporate contracts register up to date.	Henry Gordon Lennox	22/05/2014	31/03/2015

Responsible Officer: Henry Gordon Lennox

Review Note:

High and upper medium risks only with control action (SR & OR)

Risk: Adequacy of financial resource planning to deliver the Council's priorities Insufficient financial resources to deliver Council priorities as a consequence of:

- a) Failure of financial forecasting, budgeting, monitoring and reporting system resulting in insufficient financial resources and inadequate reserves
- b) Failure to use resources available effectively
- c) Reduction in government funding

Pure Status: High (12)	Pure Risk Impact: Major	Pure Risk Likelihood: Likely
Residual Status: Medium (8)	Residual Risk Impact: Major	Residual Risk Likelihood: Unlikely
Date Identified: 02 Oct 2009		Service: Strategic Risks

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Annual budget preparation and monitoring	Service managers, directors, members involved in the preparation of budgets and in the monitoring/reporting of actual financial performance during the course of the year. This is done early so that the budget for the next year is balanced well in advance	Simon Davey	02/10/2009	31/03/2015
in Planning / Progress	Efficiency	The council will look to achieve efficiency targets in order that the resources that are available are directed towards delivering key priorities	Simon Davey	30/10/2009	31/03/2015
Working and Effective	Financial regulations and operating procedures	Internal arrangements designed to ensure financial resources are securely held and appropriately used	Simon Davey	02/10/2009	31/03/2015
Working and Effective	Medium term budget preparation	Preparation of medium term term financial plan forecasting income and expenditure and any potential gap in resources	Simon Davey	02/10/2009	31/03/2015
Working and Effective	Prudential borrowing	Ensure borrowing is affordable and sustainable	Simon Davey	29/10/2009	31/03/2015
Working and Effective	Reserve policy	Maintenance of adequate reserves at a level designed to ensure the council can continue to deliver services in the event of reducing incomes or higher than expected costs.	Simon Davey	02/10/2009	31/03/2015

Responsible Officer: Simon Davey

Review Note: The risk is heightened at this current time with the unknown clear policies of a new Government - Labour have stated they will end New Homes Bonus, the Conservatives have suggest RTB of Housing Association to be funded through Council's HRA. The uncertainty is high at the moment.

High and upper medium risks only with control action (SR & OR)

Risk: Adequate emergency planning and business continuity A failure to adequately plan for emergencies and understand what issues arise in planning for business continuity could lead to a major service failure.

Pure Status: High (12)	Pure Risk Impact: Major	Pure Risk Likelihood: Likely
Residual Status: Medium (8)	Residual Risk Impact: Major	Residual Risk Likelihood: Unlikely
Date Identified: 06 Oct 2009		Service: Strategic Risks

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Clear accountability for cascading information and communicating to the staff and public	Clear accountability for cascading information and communicating to the staff and public	John Golding	31/03/2014	31/03/2015
Working and Effective	Effective liaison, contact, communication and training arrangements	Effective communication and training associated with the Plan	John Golding	07/10/2009	31/03/2015
Working and Effective	Effective local plan for emergencies	Clear allocation of accountability and key personnel identified in the Business Continuity Plan	John Golding	07/10/2009	31/03/2015
Working and Effective	Effective means of securing resources/equipment and implementing plan	During normal working hours and out of hours	John Golding	07/10/2009	31/03/2015
Working and Effective	Regular review of Council Emergency and Business Continuity Plan	Regular review of Council Emergency and Business Continuity Plan	John Golding	31/03/2014	31/03/2015
Working and Effective	Rehearsal and testing of the plan by various service areas	Ensure a regular and planned test and review of the Emergency Plan to ensure it is operable, effective, streamlined and up-to-date.	John Golding	07/10/2009	31/03/2015

Responsible Officer: John Golding

Review Note: Emergency Plan has been updated in 2013. Services have experience in dealing with emergencies. Warning system tried and tested. Business Continuity Plan being updated.

High and upper medium risks only with control action (SR & OR)

Risk: New Homes Bonus Grant The Council's income now relies on income from new homes bonus monies which is directly related to new house building in the district. There is a risk of lower growth than estimated or the Government changing the mechanism for payment

Pure Status: Medium (8)	Pure Risk Impact: Major	Pure Risk Likelihood: Unlikely
Residual Status: Medium (8)	Residual Risk Impact: Major	Residual Risk Likelihood: Unlikely

Date Identified: 28 May 2014

Service: Finance

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
Working and Effective	Non over reliance of NHB income	The Council's budget for day to day service delivery is only met in part from this income with the Council holding a Reserve to mitigate the loss in this income allowing a two year period to reshape its budget.	Simon Davey	28/05/2014	31/03/2015
Working and Effective	Sensible estimate of NHB income	A prudent view is taken in projecting the level income that is to be received. A reasonable estimate can be made of growth in Cranbrook which is one of the main contributors to growth in our district.	Simon Davey	28/05/2014	31/03/2015

Responsible Officer: Simon Davey

Review Note:

Risk: Failure of members to observe their Code of Conduct Failure of Members to understand their Code of Conduct. The Code is a key to good behaviour, good decision making and preserves the reputation of the Council with the public and partners

Pure Status: Medium (9)	Pure Risk Impact: Serious	Pure Risk Likelihood: Likely
Residual Status: Medium (8)	Residual Risk Impact: Significant	Residual Risk Likelihood: Very Likely

Date Identified: 08 Oct 2009

Service: Strategic Risks

Control Action records

Control Status	Control Action	Info	Responsible Person	Date Identified	Last Review Date
in Planning / Progress	Code of Conduct	Members sign-up to abide by the Code of Conduct. The Code is regularly updated in line with government directives.	Henry Gordon Lennox	09/10/2009	31/03/2015
in Planning / Progress	Regular Training	Regular training on the Code of Conduct and related topics for district and parish councillors.	Henry Gordon Lennox	09/10/2009	31/03/2015
in Planning / Progress	Standards Committee consideration of Code complaints and training	Standards Committee/Monitoring Officer consideration of Code complaints [as appropriate] and future training requirements of district and parish members.	Henry Gordon Lennox	11/10/2012	31/03/2015

Responsible Officer: Henry Gordon Lennox

Review Note:

Medium and low scoring risks (SR & OR)

Annual report for 2014/2015

Arranged by Service

Filtered by Flag: Include: Strategic Risks, Operational Risk

Exclude: Archive

Filtered by Performance Status: Include Risk Status: No Data, Low, Medium

Key to Performance Status:

Risks: No Data (0+) High (12+) Medium (6+) Low (1+)

Medium and low scoring risks (SR & OR)

Service: Planning Strategy and Development Management

Risks			
Status	Title	Description	Notes
Medium (6)	<u>Failure to ensure required standards of construction and safety within the District.</u>	Failure to ensure adequate standards could result in a variety of different scenarios ranging from a loss of public confidence and a down-turn in service provision to the injury or death of a citizen.	
Medium (6)	<u>Safety of employees on site visits</u>	Safety of employees and/or others could be jeopardised by a number of different variables, including working on dangerous construction sites, working in isolated properties and working 'out of hours'.	
Medium (6)	<u>Loss of building control fee income to "Approved Inspectors"</u>	Loss of income due to various circumstances, including the loss of business to the private sector and the impact of 'Approved Inspectors' operating in the area.	

Medium and low scoring risks (SR & OR)

Service: Planning Strategy and Development Management

Risks

Status	Title	Description	Notes
Medium (6)	<u>Delay in adopting a Local Plan until 2015/16 could result in development in an unplanned fashion</u>	Delay in adopting a Local Plan until 2015/16 could result in development in an unplanned fashion	All local plan work completed up to this stage and sending papers back to the Inspector with a view to consultation restarting in April 2015.
Low (4)	<u>Failure to implement a Community Infrastructure Levy (CIL) charging schedule by 2015</u>	Failure to implement a Community Infrastructure Levy (CIL) charging schedule within a known timescale (mandatory start date) could reduce our ability to collect finance we would have otherwise expected to receive from new developments	The CIL charging schedule cannot be adopted until the new local plan is adopted. Adoption of the new local plan is now expected in 2015 as the inspector has requested that the Council complete further work for his consideration before further progress can be made. It should be noted that further work is also ongoing in respect of CIL at Cranbrook at the Inspector's request. Until CIL is adopted we will continue to rely on Section 106 agreements to be the primary means by which we mitigate impacts arising from development (securing relevant infrastructure needed by/to allow for the development). We are aware, however, that more stringent legal rules will apply from April 2015 in respect of 106 agreements and so greater care will be required in agreement drafting.
Low (4)	<u>Lack of funding and other resources for neighbourhood planning work</u>	Lack of funding and other resources for neighbourhood planning work	Present uncertainty around government funding for this, however in 2015 (post general election) greater clarity might be forthcoming. Expectation is however of continued funding.
Medium (6)	<u>Perceived reputation of the service by local community causes preventable demand through complaints</u>	Perceived reputation of the service by local community causes preventable demand through complaints.	The controversial nature of planning decisions in East Devon means that there is always a risk of a formal complaint, however these are primarily about decisions reached than the service provided. Now that we have a 5 year land supply it is considered that some of the development pressures on communities will reduce and good

Medium and low scoring risks (SR & OR)

Service: Planning Strategy and Development Management

Risks			
Status	Title	Description	Notes
			progress is being made on the local plan which once adopted will give clarity for all parties on the acceptability of developments.
Low (4)	<u>Failure of correct procedures and practices causing challenges to decisions.</u>	Failure of correct procedures and practices causing challenges to decisions.	There continues to be a risk of judicial review of planning decisions particularly due to the controversial nature of a number of decisions on housing sites although as we now have a 5 year land supply and the Local Plan is progressing there is increasing certainty in terms of the policy position which helps to moderately reduce the risks. It is considered that correct procedures and practices are being followed and controls are in place to minimise the risk.

Service: Regeneration & Economic Development

Risks			
Status	Title	Description	Notes
Low (2)	<u>Failure to ensure the cleanliness of public buildings</u>	Maintain the cleanliness of public buildings to an acceptable standard	Cleaning of EDDC's corporate and public buildings is currently spread across various services/departments. If it was brought under one service, efficiencies may be found.
Medium (6)	<u>Delivery of the Growth Agenda for the West End of the District</u>	Failure to deliver Cranbrook (intended to provide 6,500 dwellings by 2026) and/or failure to deliver the Council's key strategic employment sites (intended to provide 11,000 jobs by 2026) including Exeter Science Park, Skypark, road transport infrastructure, expanded Exeter Airport, and the Intermodal Rail Freight Facility, which would mean a failure to deliver the Council's key	

Medium and low scoring risks (SR & OR)

Service: Regeneration & Economic Development

Risks

Status	Title	Description	Notes
		corporate priority of Thriving Communities	
Medium (6)	<u>Financial claims against the Council arising from major property deal</u>	Land transactions involving the Council can open up the Council to claims where inappropriate actions/decisions are taken, such as need to obtain best value, public procurement issues, european rules, and CPO implications	
Medium (6)	<u>Regeneration of Exmouth</u>	Failure to regenerate the town centre and seafront areas of Exmouth would lead to the continued decline in economic viability and attractiveness	
Low (2)	<u>Lack of budget to adequately maintain Council Buildings</u>	Lack of budget to adequately maintain Council buildings	
Low (3)	<u>Danger to users of Public Buildings including Legionella and Asbestos</u>	Danger to users of Public Buildings including Legionella and Asbestos	Maintenance staff asbestos awareness refresher training still to do.
Medium (6)	<u>Delivery of employment sites in the west end inhibited by viability of projects</u>	Delivery of employment sites in the west end inhibited by viability of projects during economic downturn.	Science Park now has significant momentum and development progressing at Skypark. Sainsbury's are moving forward with the disposal of phase 1 of the Inter Modal Freight Terminal.
Low (4)	<u>Long term financial support for NGP Team. Staff on short term contracts.</u>	Long term financial support for NGP Team. Staff on short term contracts.	Future of NGP team is bound up with Greater Exeter, Greater Devon proposals. Greater sharing of resource with Teignbridge DC (e.g. communications officer and project manager) already underway.
Low (2)	<u>Securing up-front funding</u>	Securing up-front funding for major infrastructure in the west	Upfront funding has now been secured for Skypark

Medium and low scoring risks (SR & OR)

Service: Regeneration & Economic Development

Risks

Status	Title	Description	Notes
	<u>for major infrastructure in the west end</u>	end to serve both East Devon and Exeter's needs.	and for additional building at the Science Park.
Medium (6)	<u>Implications of Equity Share holding in Science Park Company.</u>	Implications of Equity Share holding in Science Park Company.	
Low (4)	<u>Regeneration of Seaton</u>	Need to sustain regeneration projects and investment in Seaton to secure sustainable economic improvement for residents, business and visitors	

Service: Audit

Risks

Status	Title	Description	Notes
Low (3)	<u>The provision of an efficient and effective audit and governance service by SWAP</u>	Failure to provide an efficient and effective audit and governance service, with the right mix of professional staff to cope with the wide variety of complex and contentious work contained within the plans of the Service will have an adverse effect on the Council's governance arrangements.	
Low (4)	<u>Fraud, theft and/or irregularity of financial resources</u>	The risk of fraud, theft and or irregularity of the Council's financial resources and the opportunities to disguise and cover up the fraudulent act.	
Low (4)	<u>Fraud, theft and/or irregularity of physical assets</u>	The risk of theft and or irregularity with regards the Council's physical assets, including mis-use of assets, and the opportunities to disguise and cover up the theft and/or irregularity.	

Service: Customer Service

Risks

Status	Title	Description	Notes
Low (4)	<u>Accuracy and quality of information provided to the public when required</u>	Inability to answer questions at the time or a risk of inaccurate information due to lack of training, refresher training and inadequate supervision. This could arise through illness or system failure (including telephone system), or	All actions are in place, monitored and working. These are reviewed from time to time to ensure appropriateness.

Medium and low scoring risks (SR & OR)

Service: Customer Service

Risks

Status	Title	Description	Notes
		where new staff have not been properly inducted.	

Service: Finance

Risks

Status	Title	Description	Notes
Low (4)	<u>Failure to collect all income due to the Council - sundry debtors</u>	Failure to calculate, record, bill and collect sums due to the council from sundry debtors	
Low (4)	<u>Management of investments</u>	Security of the Council's surplus cash resources, with the preservation of the capital sum, is of paramount importance. The objective of is to optimise investment returns commensurate with the containment of risk	Because of clean Treasury Management audit by SWAP for 2013/14, will do next audit in 2015/16
Low (4)	<u>Funding from grants not received risk impacting on the Council budget</u>	That the Council does not receive grants and contributions to which it is entitled to meet, or help meet, its expenses having a negative impact on the Council's budget.	
Low (3)	<u>Security of cash in transit</u>	Failure to ensure the security of cash and the physical safety of those who transport it.	
Low (4)	<u>Electronic transfer/payment of monies</u>	Failure to ensure the correct amounts are paid and reach the correct destination.	
Low (4)	<u>Failure to set a Council Budget</u>	Failure to set a budget on time which provides the finances to deliver the Council's strategy and services for its customers would lead to financial crisis and damage the Council's reputation.	
Low (4)	<u>Failure to monitor budgets</u>	Failure to keep the Council's spending within approved budgets and resources available to it could lead to financial and reputational ruin.	
Low (4)	<u>If the Council does not prudentially borrowing there could</u>	Councils are able to borrow money based on their own calculation of affordability, rather than Government	

Medium and low scoring risks (SR & OR)

Service: Finance

Risks

Status	Title	Description	Notes
	<u>be a serious impact on its budget</u>	controlled as before. There is a risk that the Council could over borrow with consequences on its revenue budget.	
Low (4)	<u>Delay in processing and administrating Housing Benefit payments</u>	Failure to pay the correct amount to the right person on time.	
Low (4)	<u>Reduction in Housing Benefit subsidy</u>	To avoid reduction in the level of housing benefit subsidy received as a result of high level of 'local authority error' or the incorrect treatment of benefit expenditure from subsidy claim	
Low (4)	<u>Housing Benefit take up</u>	To help alleviate hardship the availability of housing benefit by promoted through take up campaigns	
Low (4)	<u>Failure to collect all income due to the council - council tax, business rates, rent & fines</u>	Failure to calculate, record, bill and collect sums due to the council from taxpayers and businesses, rent due and car parking fines could have a negative impact on the Council's budget.	
Low (4)	<u>If the Council does not have adequate insurance in place losses incurred could not be accommodated</u>	If the Council does not have adequate insurance in place there is a risk that losses incurred could not be accommodated within financial reserves held by the Council.	
Low (4)	<u>HRA Business Plan</u>	A new financial regime has been introduced for the HRA which has the advantage of the Council keeping all its revenue, however there is no longer a fall back to government if income or expenditure significantly alters to that envisaged.	
Medium (6)	<u>Business Rate Retention Scheme for local authorities</u>	From 01/04/13 the Council will retain 50% in business rate growth (subject to a 50% levey) or if there is a reduction it will have to meet 50% of the loss. The financial risk of growth or decline is now held at a local level rather than smoothed out at a	

Medium and low scoring risks (SR & OR)

Service: Finance

Risks

Status	Title	Description	Notes
		national level. There are many factors outside the authorities direct control that influence this position.	
Medium (8)	<u>New Homes Bonus Grant</u>	The Council's income now relies on income from new homes bonus monies which is directly related to new house building in the district. There is a risk of lower growth than estimated or the Government changing the mechanism for payment	

Service: Countryside, Arts and Leisure

Risks

Status	Title	Description	Notes
Low (2)	<u>Arboricultural professional liability for dangerous trees</u>	The granting of a TPO (Tree Preservation Order) to a tree which is in a dangerous state could result in a landowner mitigating his responsibility by citing the Council. Trees not receiving the attention and protection they need and or accident or incident on Council land or Local Nature Reserve.	Risk assessment process in place to ensure that due process is followed and staff properly qualified.
Medium (6)	<u>Business sustainability of LED Leisure</u>	Failure of LED Leisure through budget, legal, or reputational issues	Regular monitoring meeting are scheduled when budgets and business plans are scrutinized. We have Members on the Board and an active joint officer/member/board Working Party looking at costs and performance.
Low (4)	<u>Safety of staff using dangerous equipment</u>	Safety of staff using dangerous equipment off-site, on nature reserves and other countryside land.	Proper health and safety procedures in place along with checks on equipment to minimise risks to staff using dangerous equipment.
Medium (6)	<u>The financial viability of the future operation of the Thelma</u>	The financial viability of the future operation of the THG is dependent upon receiving income and grants as laid out in	THG is under constant review by SMT and Cabinet and will have to report its annual budget for approval

Medium and low scoring risks (SR & OR)

Service: Countryside, Arts and Leisure

Risks

Status	Title	Description	Notes
	<u>Hulbert Gallery</u>	the 'THG Business Survival Strategy 2014' approved by Cabinet (05/03/14). The failure to secure these sources of income in 2014/15 will make the ongoing operation of the THG unsustainable financially to the Council. The Council will therefore need to make a final decision by the end of the financial year on the future use of this asset to protect its finances as well as its reputation management	each year.

Service: Env Health & Car Parks

Risks

Status	Title	Description	Notes
Low (4)	<u>Failure to carry out public health duties and powers effectively</u>	The functions of the environmental health service center upon protection of public health. Failure to carry out these functions appropriately will expose the Council to risk to reputation, legal and financial risks	
Medium (6)	<u>Failure to manage Health and Safety responsibilities effectively</u>	Failure of effective management of the Council's health and safety responsibilities may result in serious injury to employees or public and/or risk of litigation	Our Health and Safety Adviser is now working part time on a flexible retirement programme and we are seeking to recruit a suitable part time corporate safety officer on a 2 year fixed term contract to provide cover until the Adviser fully retires.
Low (4)	<u>Incorrect decisions on contaminated land</u>	Failure to correctly address areas of contaminated land which could risk the health of residents and expose the Council to litigation and financial claims.	
Low (4)	<u>Failure to carry out Food Safety and</u>	Failure to carry out an effective enforcement regime	

Medium and low scoring risks (SR & OR)

Service: Env Health & Car Parks

Risks

Status	Title	Description	Notes
	<u>Health and Safety enforcement effectively</u>	could result in injury or ill health to residents and damage the reputation of the Council.	

Service: StreetScene

Risks

Status	Title	Description	Notes
Low (4)	<u>Failure to maintain a clean and safe environment - staffing element</u>	Failure to maintain a clean and safe environment because of an increase in service requirements and demand in relation to insufficient staff resources.	Sickness absence has been a real problem this year, we have operated for much of the year on a skeleton officer staff in operations west. This has had impacts on the east as well. It is testament to our staff that we have only seen a slight reduction in standards in grounds maintenance and street cleansing as a result. Seasonal staff - we are finding it very difficult to fill our seasonal staff vacancies this year. Our agents report this is due to falling unemployment. If we cannot fill the roles which are essential to meet seasonal demands we may have to consider paying more. Workforce PPE and CoP - We are in the process of reviewing our PPE to ensure it is compliant with current legislation. As part of this we intend to move to orange hi-vis uniform for all operations staff to ensure they are always wearing a high vis. We are also reviewing our CoPs and producing a pocket sized manual for ops staff. We intend to undertake a systems thinking review with the Engineers next. Sickness absence has delayed the progress, we will start this review once we have recruited the new Engineering projects manager. Public toilets - we will be reviewing our public toilet provision for AMF in 2016. We are negotiating at the moment to transfer Branscombe public toilets to the landowner which will save us around £13k p.a.
Low (4)	<u>Failure to maintain a clean and safe environment -</u>	Failure to maintain a clean and safe environment because of a lack of fleet, machinery	Our smartphone apps. are now live and we are beginning to use them to manage mileage and vehicle defects as well as service and MOT reminders. Once the system is established it will make this fleet

Medium and low scoring risks (SR & OR)

Service: StreetScene

Risks

Status	Title	Description	Notes
	<u>fleet, machinery, plant and play equipment</u>	and/or plant and also failing to maintain play equipment to acceptable safety standards.	management more efficient and accurate. Play equipment - we now have the new PSS LIVE play inspection software in place (replaced DTE). This allows us to record inspections on site using a tablet and have instant access to the records in the office. In time this system will lead to better management of our play assets and a fuller understanding of replacement/upgrade requirements.
Medium (6)	<u>Failure to ensure adequate sea defences and flood alleviation schemes</u>	Failure of Council-owned sea defences and flood alleviation schemes resulting in flood damage to property and risk to life and limb. Also, failure to develop newly identified sea defences and flood alleviation schemes due to them not meeting nationally assessed requirements to attract funding.	Damaged defences from the 2013/14 winter storms have been reinstated. Progress on the Feniton scheme and beach management at Sidmouth and Exmouth have been achieved with the assistance of consultants and partner agencies.
Medium (6)	<u>The continuity of the refuse and recycling service</u>	Failure of the contractors to deliver the service through strike action, company liquidation, legal prohibitions and/or other similar circumstances that render this contractor unable to continue with the contract.	Recent performance issues with the management of the SITA contract have led to a change of contract manager by SITA following discussions with AH/PMcH. The new contract manager has been appointed and has commenced work in bringing performance back to an acceptable level. Work on the Devon-wide partnership continues as per the request of cabinet to seek joined-up working and exploration of a potential collection contract [Integrated Devon]with Teignbridge and Exeter. The council have no wish to in-source the waste collection contract at this time - this has been discussed as part of the commissioning phase of the new collection contract that we are working on as a twin track with the

Medium and low scoring risks (SR & OR)

Service: StreetScene

Risks			
Status	Title	Description	Notes
			Integrated Devon option. Total failure of the collection contract is unlikely but close management of this contract continues to be a priority. Use of alternative vehicles can be achieved if required, though sufficient time to arrange this would be required. Alternative collection arrangements would be arranged if/when required. Alternative disposal sites could be accessed if/when required.
Medium (6)	<u>Failure to maintain Street Scene Assets</u>	Maintain the assets managed by Street Scene to a standard which ensure that they are safe and fit for purpose.	Asset ownership - we are working with IT and Estates to assess the most appropriate system for recording assets. We are reviewing both Uniform and PSS. Digital mapping of assets - work by the District Wide TO has been paused on this as due to sickness we have had to use her to cover operational work. We have an asset surveyor starting work on mapping EDDC lighting and LED hard surfaces. Council owned trees - following Countryside withdrawing from our tree inspection SLA we have a contractor undertaking urgent re-inspections whilst we work to train the team to take on inspection. We were training our Parks Improvement Officer to do this, but he has just taken early retirement. We are now looking at recruiting a part time tree inspector (as approved in our budget allocation) to ensure this important safety work continues.
Low (4)	<u>Economic downturn is affecting price per tonne for recyclate, reducing income.</u>	Economic downturn is affecting price per tonne for recyclate, reducing income.	Many of the contracts used by EDDC for revenue of sales of recycling materials are written and managed by Devon CC, so EDDC is in effect a client of the larger contract. So far the arrangements seem to be working well, though prices paid for recyclates can be fickle and subject to market changes. We will continue to monitor the situation with colleagues from DCC.

Service: Housing

Risks			
Status	Title	Description	Notes

Medium and low scoring risks (SR & OR)

Service: Housing

Risks

Status	Title	Description	Notes
Low (4)	<u>Fraud re housing grants</u>	Without appropriate controls on approving grants and monitoring budgets there is risk of fraud and to the Councils finances	Constant review of the process for grant approvals is in place with manager carrying out final approval process and payments on system. Regular discussions regarding pricing for works and more effective and efficient working processes being explored. Closer working with Finance to ensure improved capital expenditure monitoring.
Medium (8)	<u>Home Safeguard system failure</u>	An IT failure would result in the Council being unable to receive emergency calls from clients with Home Safeguard alarm equipment installed in their homes. This could result in emergency calls remaining unanswered and the worst case scenario of a death of an elderly or vulnerable client.	
Medium (9)	<u>Loss of rental income</u>	Significant loss or non collection of rental income will have a major impact on the Housing Revenue Account and our ability to deliver housing services to our tenants.	
Medium (6)	<u>Failure of Responsive Repairs contractor</u>	Failure of performance under the Partnering Agreement by one of our responsive repair contractors leading to an inability to perform	The current contractors are working well. Failure of one contractor is unlikely and the opportunity to use other contractors and expand work of remaining contractor is the short term is available and

Medium and low scoring risks (SR & OR)

Service: Housing

Risks

Status	Title	Description	Notes
		day to day repairs to tenants homes.	appropriate
Medium (9)	<u>New-Build Council Homes</u>	The risks associated with being a developer of council homes, especially with regards potential abortive costs, cost overruns, failure to obtain planning permission and loss of HCA grant.	Developer risk has been mitigated by the appointment of a Senior Technical Officer (Assets) and utilising their expertise on any projects we take forward. We attempt to de-risk projects by careful analysis and accurate costings with contingencies.
Medium (6)	<u>A major homelessness incident</u>	Major homeless incident caused through fire, flood or some other major incident that stretches our resources and ability to house a large number of homeless households at one time.	New Emergency Rest Centre Plan produced and adopted to set a corporate context and response. Some experience in the team in dealing with such incidents. Flooding/weather events probably pose the greatest risk.
Medium (9)	<u>Safeguarding Children</u>	Failure to notify the responsible authority when staff suspect a child is at risk.	The risk impact level for this risk remains because of all the media attention this area now generates when things go wrong. We have seen a good number of child protection cases where partner agencies are being implicated (not just the fault of Social Services). We have also seen failures that result in the death of a child. We have updated the Safeguarding Children Policy adopted and promoted it internally. We have formed a Devon local authority safeguarding group and are seeing better sharing of information and good practice.
Medium (6)	<u>Safeguarding adults</u>	A failure to take action when staff suspect a case of	

Medium and low scoring risks (SR & OR)

Service: Housing

Risks

Status	Title	Description	Notes
		abuse of older people having regard to our Safeguarding Older People policy.	
Medium (8)	<u>Lone working - Landlord Services</u>	Failure to protect staff who are lone working in the community.	
Low (4)	<u>Failure to achieve Housing Strategy targets</u>	Housing Strategy not being 'fit for purpose' and/or targets and actions contained within the action plan are not delivered, damaging our reputation and the housing opportunities for residents.	
Low (4)	<u>Failure to provide accurate or helpful housing/homelessness advice</u>	Erroneous or incorrect housing advice given which could result in a tenant or owners losing their home and/or the Council failing to fulfil its legal duties. This could result in adverse publicity and/or legal action, or an Ombudsman complaint upheld against us.	A significant decrease in homelessness acceptances in 2014/15 due to the increased homelessness prevention work by staff
Low (2)	<u>Maintain a Housing Register</u>	Comply with the legislation and guidance in respect of access to housing through a Housing Register.	DHC Partnership is working and effective. Annual review completed in autumn 2014 and changes to policy approved by HRB in January 2015
Medium (9)	<u>Failure to protect against tenancy fraud</u>	Failure to protect the council and its existing and prospective tenants against tenancy fraud, which may be	

Medium and low scoring risks (SR & OR)

Service: Housing

Risks

Status	Title	Description	Notes
		the granting of a property to an inappropriate person or where a tenant illegally sublets.	
Low (4)	<u>Fraud re Rent Collection</u>	Lack of segregation of officers who create and collect debts gives rise to a potential for fraud.	
Medium (6)	<u>Lone working - Housing Needs and Strategy</u>	Lone Working	An increase in threatening and violent incidents to staff during year. Increased awareness and vigilance of staff and managers as well as a review and change in safety procedures at Exmouth Town Hall has and hopefully will continue to keep risk low.
Low (2)	<u>Lone Working - Private Sector Housing</u>	Lone Working	This is an item that is reviewed through the Team Meetings and one to ones to ensure that the officers are using the system for their own safety. Reports are available from Home Safeguard to check on usage.
Medium (6)	<u>Loans taken out for self-financing</u>	Ability to repay debt on loans taken out under the self-financing regime introduced by the Localism Act	We have created a Volatility Fund to protect against future problems. The greatest threat at the moment is Welfare Reform and tenants reduction in benefit that prevents them paying their rent.
Low (4)	<u>Right to Buy</u>	Right to Buy sales differ from the predictions in the HRA Business Plan	Right to Buy sales have continued to increase as a result of changes to Government incentives on the level of discount offered potential/eligible purchasers. Sales are monitored closely and reported regularly to the Housing Review Board. Sales numbers are not undermining

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Medium and low scoring risks (SR & OR)

Service: Housing

Risks

Status	Title	Description	Notes
			the Business Plan but we are initiating a review in this area.
Medium (9)	<u>Unforeseen expenditure on council homes</u>	Unplanned need to spend on repairs and maintenance	We have seen weather related water penetration damage over the winter. Budget surpluses will allow for a certain amount of unforeseen expenditure.
Low (4)	<u>Failure of a private water supply</u>	Contamination of a private water supply.	As we enter the 2nd 5 year period of risk assessments and continue with the annual sampling we will be checking compliance with the regulations which will reduce the impacts of failure of a private water supply causing harm to those who use private water supplies. This work has raised and continues to raise awareness of potential harm from private water supplies if not effectively managed.
Low (4)	<u>Sheltered housing improvements</u>	Implement programme of upgrading sheltered housing and making 'fit for purpose'.	

Service: Information Technology

Risks

Status	Title	Description	Notes
Low (4)	<u>ICT services and capacity is insufficient to meet corporate needs.</u>	ICT services and capacity is insufficient to meet corporate needs.	While Strata resources are not infinite and there will always be an element of work prioritisation or "cutting cloth to suit budgets", the Strata implementation will eventually provide greater IT resources for the council. There will be pressures in the first 18 months of implementation while the new technology and organisation is bedded in but the longer term benefits outweigh the early pains.
Low (4)	<u>ICT support capability</u>	Capability to provide user support for incidents and service	Strata is implementing the "EDDC model" for its support desk across the three partners. Strata will provide the

Medium and low scoring risks (SR & OR)

Service: Information Technology

Risks

Status	Title	Description	Notes
		requests.	benefit of having a greater pool of staff to call upon and to support each other. This reduces the risk of reliance on key individuals or on a small group of people.
Low (4)	<u>IT Systems meet the Council business needs</u>	IT systems must be procured, developed and managed in order to meet the needs of the service units across the council.	It is unlikely that IT systems will be so poor as to not enable the council to carry out its business. Also, as part of the Strata business case a 5 year review of all business systems is planned to pick the most suitable for the three partner councils.
Medium (6)	<u>ICT Change Management</u>	Upgrades and improvements to IT systems are constantly required. With any change there is an inherent risk of disruption and error and so processes need to be in place to mitigate for this.	Change management processes are being standardised across Strata to ensure that all change to the live IT environment is well understood and managed. This is taking time to organise and bed-in.
Low (4)	<u>Non-availability of key operation centre</u>	Through an emergency (fire, flood, equipment breakdown, damage, etc) a key operation centre (or other leased building for which we are responsible) becomes unusable	While the current IT service continuity systems provide a reasonable level of DR assurance, the systems currently being implemented by Strata improve upon that level by several degrees. When operational, the Strata service will be provide two centres in Exeter with many of the systems on a "live" resilience mode ie if one breaks the other automatically takes over. The technology being used also means that services to any system can be accessed from any internet connection and also from Teignbridge and Exeter sites.
Medium (6)	<u>Budget cuts needed in ICT costs</u>	Budget cuts	The implementation of Strata is no small undertaking. The primary reason to engage in this difficult and risky process was to save money. The Strata business case is 7 months in and appears to be on track with cost reductions; risk reduction and capacity improvement. However, there is still a

Medium and low scoring risks (SR & OR)

Service: Information Technology

Risks

Status	Title	Description	Notes
			long way to go and many difficult decisions to take before we can conclude that Strata has been an overall financial success.
Medium (6)	<u>Move to a shared service may cause disruption</u>	Potential move to an ICT shared service may disrupt the service	The change in technology is significant and this will require users to engage and be trained. The consequences of the changes are that some disruption is inevitable but can be managed by good communication; good organisation of training; and a phased approach to implementation wherever possible.

Service: Electoral Services

Risks

Status	Title	Description	Notes
Low (3)	<u>Incapacitation of all staff for protracted period re Elections</u>	In the event that all election staff were absent for a prolonged period the Council would fail to complete the canvass, fail to publish a revised register and fail to produce accurate data and registers for elections. In the event that the Electoral Services Officer/Manager was absent for a prolonged period it is unlikely that existing staff resources would accept managerial responsibilities.	

Service: Legal, Licensing and Democratic Services

Risks

Status	Title	Description	Notes
Medium (9)	<u>Failure to comply with constitutional and legal requirements</u>	Failure to implement adequate processes and/or obtain sufficient resources to ensure legislative compliance.	It depends on the nature of the matter where the risk occurs, but this does have the potential to be serious over significant.
Low (4)	<u>Failure to promote democratic engagement</u>	Not working with towns and parish councils, young people and others to develop participation in and influence upon the development of the Council's democratic and decision-making processes.	

Medium and low scoring risks (SR & OR)

Service: Legal, Licensing and Democratic Services

Risks			
Status	Title	Description	Notes
Medium (6)	<u>Failure to develop, support and train elected and co-opted councillors</u>	Members fail to carry out their representative, executive or regulatory functions effectively with the potential for legal challenge, financial and reputational loss.	
Low (4)	<u>Failure to plan and organise meetings in line with statutory requirements</u>	A risk of missing statutory deadlines through a lack of organisation or effective communication with/by other services.	
Medium (6)	<u>Missed court or tribunal deadlines</u>	Missed court or tribunal deadlines resulting in court directions, deadlines or dates are overlooked.	
Medium (6)	<u>Failure to best protect the council's legal interests in litigation and/or non contentious work</u>	Failure to advise on appropriate tactics and/or possible outcomes.	
Medium (6)	<u>Failure to support ethical governance and standards within the council and parish councils</u>	The risk of councillor Code of Conduct breaches and complaints to the Monitoring Officer will rise if she and her staff are not sufficiently proactive and/or adequately resourced in line with statutory requirements and duties.	
Medium (6)	<u>Licensing function not functioning effectively</u>	Licensing breaches (for example disturbance to neighbours caused by drinking after hours in public houses, or unlicensed taxis) may cause nuisance and/or health and safety hazards.	
Medium (6)	<u>Council officers and/or members fail to take legal advice</u>	Financial, reputational and legal losses may result from illegal and/or unlawful actions.	
Low (4)	<u>Failure to engage staff in organisational change</u>	Uncertainty of local government structure and/or plans for internal change within the authority not managed well by the authority.	
Medium (6)	<u>Major Changes in Localism Act not implemented lawfully</u>	Major Changes in Localism Act not implemented lawfully	
Medium	<u>Inadequate resources</u>	Inadequate resources on the legal	We have struggled to

Medium and low scoring risks (SR & OR)

Service: Legal, Licensing and Democratic Services

Risks

Status	Title	Description	Notes
(6)	<u>in the legal service</u>	service to meet the workload	recruit for one particular post. It is anticipated that an internal re-structure will allow this to be remedied.
Medium (6)	<u>Ability to respond to single issue pressure groups</u>	Our ability to respond to single issue pressure groups as financial resources further constrict	Continuing financial pressures mean single issue pressure groups take up time / resource

Service: Org Dev

Risks

Status	Title	Description	Notes
Low (4)	<u>Absence management</u>	Loss of productivity and adverse impact on colleagues and customers through high staff absence.	Sickness absence has slightly increased in 2014/15 but this was due to a particular set of circumstances in one service area. The matter has now been resolved.
Low (4)	<u>Workforce planning and development</u>	Planning and development activity to ensure we have the right people, with the right skills at the right time.	
Low (4)	<u>Compliance with employment legislation</u>	Ensuring that employment legislation is complied with in such a way that minimises the Council's risks of successful tribunal challenges, fines for contravening right to work legislation or problems with employee engagement/morale.	
Low (4)	<u>Failure to meet statutory duties in relation to payroll</u>	Failure to comply with statutory duty to submit all documentation relating to tax, national insurance, pensions and end of year documentation.	Annual reviews of our payroll services function by South West Audit Partnership have continued to show the highest levels of attainment for this service.
Low	<u>Failure to process</u>	Failure to process information	

Medium and low scoring risks (SR & OR)

Service: Org Dev

Risks

Status	Title	Description	Notes
(3)	<u>information in accordance with FOI and Data Protection legislation</u>	requests in accordance with legislation relating to Data Protection and Freedom of Information can lead to financial fines as well as risk to reputation.	
Low (1)	<u>Failure to manage and monitor organisational performance may compromise the Council's reputation</u>	A failure to monitor performance may result in customer complaints, poor service delivery and may compromise the Council's reputation. Need to ensure that organisational performance is monitored internally using a range of leading and lagging performance measures.	
Medium (6)	<u>Failure to ensure community engagement</u>	The Council needs to ensure community engagement to deliver our vision of 'outstanding and sustainable quality of life for everyone in East Devon'.	The Community Engagement Policy will be going to the next meeting of Cabinet to be adopted.
Low (4)	<u>Failure to properly administer the Local Government Pension Scheme</u>	Failure to properly administer the pension scheme for the administering authority Devon County Council which could result in failure to meet statutory duties and cause detriment to individuals within the scheme.	Controls and procedures in place
Low (4)	<u>Employee screening</u>	Risk exists around incurring fines and employing staff illegally which may put customers and vulnerable people at risk or employing people who do not have the right to work in the UK.	This area has been the subject of an internal audit by SWAP. The recruitment process is also subject to a systems thinking review and we are currently implementing changes to this system of work.
Low (4)	<u>Industrial Action</u>	Industrial action relating to pension reform	
Low (4)	<u>Staff engagement and morale</u>	Staff engagement and morale	The 2014/15 employee engagement survey demonstrated that 84% of staff are happy with EDDC as their employer and that 90% would recommend

Medium and low scoring risks (SR & OR)

Service: Org Dev

Risks

Status	Title	Description	Notes
			EDDC as a place to work. Our employee engagement activity will continue and we will be reassessed for Gold Investor in People in January 2016.

Service: Strategic Risks

Risks

Status	Title	Description	Notes
Low (4)	<u>The right people in the right place at the right time</u>	The council fails to recruit, retain, plan and effectively manage staff resources at a level and skill which is adequate to meet its key priorities and service requirements resulting in service failure.	
Medium (8)	<u>Business failure of a major contractor or significant partner</u>	Failure of a major contractor to delivery key services in accordance with the specification /service level agreement or a significant partnership fails through a legal, financial, reputational, relationship or governance issue resulting in service failure.	
Medium (8)	<u>Adequacy of financial resource planning to deliver the Council's priorities</u>	Insufficient financial resources to deliver Council priorities as a consequence of: a) Failure of financial forecasting, budgeting, monitoring and reporting system resulting in insufficient financial resources and inadequate reserves b) Failure to use resources available effectively c) Reduction in government funding	The risk is heightened at this current time with the unknown clear policies of a new Government - Labour have stated they will end New Homes Bonus, the Conservatives have suggest RTB of Housing Association to be funded through Council's HRA. The uncertainty is high at the moment.
Low	<u>Service provision</u>	The Council suffers an	

Medium and low scoring risks (SR & OR)

Service: Strategic Risks

Risks

Status	Title	Description	Notes
(4)	<u>jeopardised through unexpected major loss of income</u>	unexpected major and irrecoverable loss of income (e.g. loss of government grant/subsidy or lower investment return due to lower interest rates)	
Medium (6)	<u>Major disruption in continuity of computer and telecommunications services</u>	Major disruption in continuity of computer and telecommunications facilities to the detriment of service delivery	While the current DR systems are reasonable the systems that Strata are implementing are of a higher standard; with greater resilience and better DR capabilities. The Strata systems will cover all computer and comms systems and will begin to go live around October 2015 aiming to complete in Aug 2016.
Medium (6)	<u>Security of information is compromised</u>	Failure to safeguard and protect critical data or IT systems with the risk that it could be permanently lost, damaged, misused or stolen.	The EDDC systems and processes to mitigate for information security have been operating and effective for some time. The changeover to Strata will require that some of the processes and systems will be changed, but only for the better.
Low (4)	<u>The right ICT and technology available in the right place at the right time</u>	Failure to ensure ICT investment in applications and hardware meets the computer and communications needs of users, both internal and external resulting in service failure.	EDDC have invested in the Strata business plan which aims to deliver the latest Microsoft and thin client technology to all business users. The plan includes a review of all business software over the next five years and so there will be opportunity for everyone to consider where their systems are fit for purpose.

Medium and low scoring risks (SR & OR)

Service: Strategic Risks

Risks

Status	Title	Description	Notes
Medium (6)	<u>Failure to meet a specific legal or ethical obligation upon EDDC</u>	The Council fails to meet a specific legal or ethical obligation which causes serious disadvantage to residents, visitors or local businesses and leaves the Council liable to action.	
Medium (8)	<u>Adequate emergency planning and business continuity</u>	A failure to adequately plan for emergencies and understand what issues arise in planning for business continuity could lead to a major service failure.	Emergency Plan has been updated in 2013. Services have experience in dealing with emergencies. Warning system tried and tested. Business Continuity Plan being updated.
Medium (8)	<u>Failure of members to observe their Code of Conduct</u>	Failure of Members to understand their Code of Conduct. The Code is a key to good behaviour, good decision making and preserves the reputation of the Council with the public and partners	
Medium (9)	<u>Failure to ensure we have an agreed Local Plan</u>	Failure to ensure we have an agreed Local Plan would affect our ability to deliver the appropriate levels of new homes and employment opportunities through land allocations across the district. Furthermore the absence of an up to date local plan inhibits our ability to deliver optimal sustainable development for the District infrastructure and the Council's growth and redevelopment plans across the district. This could result in unplanned development and affect the economic viability of the district.	Timetable for inspection re-established following the completion of the SHMA and approval by DMC and Council of revised local plan draft. The Inspector has agreed the draft goes to consultation and inspection planned for July 2015. As part of the process EDDC has now secured a 5 year land supply. This is significant progress and a greater degree of certainty but the importance of the local plan is reflected in the retained scoring for likelihood and impact.

Medium and low scoring risks (SR & OR)

Service: Strategic Risks

Risks

Status	Title	Description	Notes
Medium (6)	<u>Office Relocation</u>	Not relocating would mean the continued high cost of management and maintenance of Knowle Offices. Increasing inefficiency of current accommodation and reducing capacity to deliver improving services, modern working practices and performance improvements. Challenged ability to maintain high quality services and projects in a time of reducing funding and resources.	

Draft ANNUAL GOVERNANCE STATEMENT

For the year ended 31st March 2015

Scope of Responsibility

East Devon District Council is required to ensure that its business is conducted in accordance with the law and proper standards; that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard again to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

East Devon's Council's Audit & Governance Committee has approved a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government. This statement explains how East Devon District Council has complied with the code. The Council is required under the Accounts and Audit Regulations 2011 to have approved an annual governance statement (AGS) which accompanies its Statement of Accounts.

The Head of Internal Audit is required to provide a written annual report to those charged with governance to support the AGS, this report is presented to the Council's Audit and Governance Committee on 26 June 2014.

Purpose of the Governance Framework

The governance framework comprises the systems, processes, culture and values by which the authority is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and therefore only provides reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of East Devon District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively and economically.

The Governance Framework

The governance framework described has been in place for the year ending 31 March 2015 and up to the date of the approval of the statement of accounts.

Some of the key features of the governance framework are set out in the following paragraphs:

- The Council has an adopted Constitution that sets out how it operates, how decisions are taken and the procedures to follow.
- The Council has a Council Plan for 2012 -16 it has 4 core strategies supporting the Plan; Homes and Communities, Economy, Environment and Finance.
- Delivery of the Council Plan is supported by a performance framework with service plans and individual targets for staff agreed through the annual appraisal process which is recorded and monitored through the Council's performance management systems. Delivery of the Council Plan is monitored by Overview and Scrutiny Committee. This Committee drives the scrutiny process on behalf of the public with a view to improving the delivery of public services.
- A Standards Committee is in place 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 advice on the adoption or revision of the Council's Code of Conduct for members, officers and any other related codes or protocols. The Committee meet quarterly if required.
- Audit & Governance Committee exists with wide-ranging terms of reference including the requirement to consider the effectiveness of the Authority's governance arrangements, taking into account risk management, the control environment and associated anti-fraud and anti-corruption arrangements. This committee also holds Cabinet to account with particular areas in 2014/15 being separately scrutinised at the request of the Audit & Governance Committee.
- The Council has designated Monitoring Officer, arrangements changed during the year with new management structure and appointment of new officer to the post, part of the year the Monitoring Officer role was held by Ian Clarke (Assistant Director – Legal & Corporate Services). This position ensures compliance with established policies, procedures, laws and regulations. After consulting with the Head of Paid Service and Chief Finance Officer the Monitoring Officer will report to the full Council if 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. The Council also conforms with the requirements of the CIPFA statement on the Role of the Chief Financial Officer in Local Government.
- An internal audit service is provided through the South West Audit Partnership 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 an audit plan approved by the Audit and Governance Committee. The Council's Internal Audit function is subject to regular inspection by the Councils external auditors (Grant Thornton UK LLP).
- The Council has a whistle-blowing and anti-fraud and corruption policy.

Appendix A contains a more detailed overview of the Council's Governance Framework

Review of Effectiveness

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

- Internal Audit Annual Report and Opinion 2014/15
- Internal and external audit and inspection.
- A specific review of the effectiveness of internal control and compliance to the governance framework undertaken in May/June through the completion of assurance statements by the Strategic Management Team. These were then reviewed by the Director and Assistant Director for SWAP, the Strategic Lead for Finance (CFO/S151), the Monitoring Officer and the Chairman of the Audit & Governance Committee for compliance and any apparent organisational improvements are included in the Governance Action Plan.
- The mechanisms for maintaining and reviewing the effectiveness of the system of internal control throughout the year include.
 - Cabinet is responsible for considering overall financial and performance management and receives comprehensive budget monitoring reports on a monthly basis and council service performance reports.
 - Overview & Scrutiny Committee holds the Cabinet Committee to account.
 - The Standards Committee meets quarterly when required and at every meeting considers an update report on complaints against councillors which includes learning points and recommended actions. The Committee also keeps under review the Council's policies and procedures for maintaining high ethical standards.
 - The Audit & Governance Committee meet five times a year to provide independent assurance to the Council in relation to the effectiveness of the risk management and internal control environment.
 - The South West Audit Partnership provides an independent and objective assurance service to the Council and completes a programme of reviews each year to inform an opinion on the internal control, risk management and governance arrangements. The service undertakes fraud investigation and proactive fraud detection work which includes reviewing the control environment in areas where fraud or irregularity has occurred.

Improvements made in Governance arrangements during 2014/15 to note include;

- The Council approved a business case for a new post of Corporate Counter Fraud & Compliance Officer with allocated management support and resources. An appointment was made in February 2015.
- A business case was approved to work with Data Tank to review Single Person Discounts on Council Tax; to be jointly funded by major preceptors along a review of Council Tax Support Cases. Part of this work was undertaken in 2014/15 and will continue into 2015/16.
- Currently leading on a Devon wide counter fraud compliance initiative for data sharing.
- Part of Devon wide initiative for tackling tenancy fraud.
- All actions highlighted for improvement in the 2013/14 Governance Statement have been addressed.
- The Audit & Governance Committee were extremely active during the year and played a key part in adding to the Council's Governance arrangements.

Significant Governance and Control Issues Identified.

- Details were included in last year's Governance Statement on a councillor's resignation in the previous year following allegations made against the councillor concerning planning influence. This was reported at the time as still being under Police investigation; we have been informed that the Police are taking no action against the individual.
- The Audit and Governance Committee continued to keep an eye on the process to be put in place in order to regularly monitor a 5 year land supply for strategic planning purposes.
- In 2014/15 the Council was involved in two significant projects which had associated risks; office relocation and the proposal for an ICT shared service arrangement with Exeter City Council and Teignbridge District Council. In addition to this being monitored through a detailed risk register for each project, SWAP in 2014/15 independently reviewed both of these projects. Further days have been included in the 2015/16 SWAP audit plan.
- The Grant Thornton Audit Finding Report presented to the Audit and Governance Committee last September included three recommendations on the Council's asset valuation process, these have been addressed in the preparation of the 2014/15 Accounts. The recommendations were to ensure that all assets within the same class are valued within the same financial year, all assets are revalued at least every five years (6 assets were found to be outside this timescale) and asset life and depreciation should be formalised for vehicles, plant and equipment.

- Recent Tribunal / ICO decisions have highlighted the impact to the Council of increasing Freedom of Information requests and the ability to deal with these requests in a timely manner. A report is being prepared for Cabinet's consideration which seeks to identify how to address the issue from a number of different perspectives, including resourcing.
- 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.

SWAP audit recommendations during the year include three areas worth including in this Statement because of their nature:

- A review and update of the Council's Business Continuity Plan.
- Formal review of the Emergency Planning Service and ensure an up to date service level agreement is in place which reflects the Council's priorities.
- The need to adopt a social housing anti-fraud policy and that action is taken to ensure the editing of notes on the housing choice based letting system (Home Connections) is no longer possible.

Signed & Dated

Chief Executive

25/9/2015

Signed & Dated

Leader of the Council

25/9/2015

Appendix A

Below is an overview of the Council's Governance Framework

As stated the Council has an adopted Code of Corporate Governance which is inline with CIPFA/SOLACE documentation on delivering good governance in local Government. This defines the corporate governance framework and sets out six core principles of good governance as shown below.

Corporate Governance Framework		
Corporate Governance comprises the systems and processes, cultures and values, by which the council is directed and controlled, and through which we account to, engage with and where appropriate, lead the community.		
1. Focus on purpose of the Council, vision for local area and outcomes for the community.	2. Members and officers working together to achieve a common purpose with clearly defined functions and roles.	3. Promoting values and upholding high standards of conduct and behaviour.
4. Taking informed and transparent decisions scrutinised and risk managed.	5. Developing capacity of Members and Officers to be effective.	6. Engaging with local people to ensure public accountability.

(A) Key Documents: Regular/Annual Review or Production	(B) Key Documents: Ad hoc Review or Production	(C) Contributory Processes/Regulatory Monitoring	
<ul style="list-style-type: none"> • Medium Term Financial Plan • Annual Revenue & Capital Estimates • Service Plans • Statement of Accounts • Internal/External Audit Protocol • Council Tax Booklet • Performance Monitoring Reports (Measure Reports & performance indicators) • Financial Monitoring Reports • East Devon Connect • External Audit Report to those charged with Governance • External Audit Review report • Annual opinion from SWAP Group Audit Manager to support Annual Governance Statement • Management Assurance Statements • Governance Statement 	<ul style="list-style-type: none"> • Council Plan • Constitution including Financial and Contract Standing Orders • Scheme of Delegation • Code of Corporate Governance • Anti-Fraud, Theft and Corruption Policy • Complaints Procedure • Communication Plan • Community Engagement Policy • Customer Service Plan • Procurement Strategy • Freedom of Information • Health Safety, Welfare and Employment Policies • Data and Information Quality Policy • Information Security Policy • ICT Strategy • Protocol – Member Officer Relations • Members Code of Conduct • Employees Code of Conduct • Partnership Policy and Guidance • Risk Management Policy and Guidance • Published Agendas, Reports and Minutes of Committees • Whistleblowing Policy 	<ul style="list-style-type: none"> • Audit & Governance Committee • Standards Committee • Overview & Scrutiny Committee • Housing Review Board • Independent Remuneration Panel for Members Allowances • Strategic Management Team • Monitoring Officer appointed • S151 Officer Appointed • Head of Paid Service appointed • Customer Complaints/Feedback Process • Procurement & Efficiency Group • Resident's Panel consultation • Asset Management Forum 	<ul style="list-style-type: none"> • Job Descriptions and Person Specifications • Job Evaluation Process • Employee Induction • Employee Surveys • Learning and Development Programme – Employees/Members • Performance Excellence Review • Criminal Conviction Checks • Health & Safety Officer • Fraud Forum • External Audit • Internal Audit • Gift and Hospitality Registers for Employees • Members Register of Interest • Annual Review of Internal Audit, Risk Management & Governance Arrangements

Report to: **Audit and Governance Committee**
Date of Meeting: 17 June 2015
Public Document: Yes
Exemption: None



Agenda item: **15**

Subject: **Revenue and Capital Outturn Report 2014/15**

Purpose of report: The following report was presented to Cabinet on 17 June 2015. The report is presented to Audit & Governance Committee to inform the Committee of the financial Outturn position for 2014/15 and to ask the Committee to endorse, or not, the recommendations approved by Cabinet.

Recommendation: To note the financial Outturn position for 2014/15 and to endorse the recommendations made by Cabinet on 17 June 2015.

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

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

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

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

01395 517490

Financial implications: The financial details are outlined in the report

Legal implications: There are no legal implications requiring comment

Equalities impact: Low Impact

No decisions are required which effect service/customer provision

Risk: Low Risk

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

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

Links to background information: • none
Link to Council Plan:

Report to: Cabinet
Date of Meeting: 17 June 2015
Public Document: Yes
Exemption: None



Agenda item: To be completed by Democratic Services.

Subject: Revenue and Capital Outturn Report 2014/15

Purpose of report: During 2014/15 monthly budget monitoring reports have informed members of budget variations and the anticipated year end financial position. This report contains the final position for the year and compares this outturn position against the budgets set.

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

Recommendation:

1. The Cabinet agree the outturn position for 2014/15.
2. To agree with the level of Reserves detailed in the report and the transfers recommended; namely
 - a) The transfer of £0.941m from the General Fund into the Capital Reserve
 - b) The transfer of £0.619m into the NNDR Volatility Fund
 - c) The Transfer of £0.500m from the Housing Revenue Account into the HRA Business Plan Volatility Reserve.
 - d) The Transfers to other earmarked reserves for specific projects where funding contributions have been made in advance of spend and monies are held at year end to fund this work in future years. The Outturn Book contains full details of these transfers in 2014/15.

Reason for recommendation:

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

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

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

Officer:

Simon Davey, Strategic Finance (CFO/S151)
sdavey@eastdevon.gov.uk 01395 517490

Financial implications:	The financial details are outlined in the report
Legal implications:	There are no legal implications requiring comment.
Equalities impact:	Low Impact No decisions are required which effect service/customer provision
Risk:	Low Risk Financial monitoring reports have kept members informed during the year of budget variations and the projected outturn position of the Council's finances. No areas of concern were raised with the Council maintaining its net spending within overall approved budget levels. All predetermined Balance and Reserve levels were maintained comfortably above the adopted minimum levels. This position has now proven correct in the final outturn position presented in this report. The report also looks at the monies the Council holds in balances/reserves and considers these in the light of the Council's future financial position and likely future Government funding cuts. Consideration is given to the Council's financial track record, internal and external audit reports on financial controls and is reflective of occurrences from external factors which affect the Council's finances.

Links to background information:

Link to Council Plan: [Funding this outstanding place](#)

1. Introduction

- 1.1 This report compares the outturn position (actual amount spent or income received for the year) against budgets set for the financial year 2014/15 for the General Fund, Housing Revenue Account (HRA) and the Capital Programme.
- 1.2 A summary position is contained in this report for each of these areas with an accompanying 'Outturn Book' giving detailed information on actual spend against the budget set by members. The Book gives an explanation of any significant variations of spend or income against budget and highlights other matters to be drawn to Members' attention.
- 1.3 The report looks at the effect the outturn figures have on the Council's balances and reserves and considers future policy for holding these sums.

2. General Fund position

- 2.1 The 2014/15 budget was set with a £0.075m contribution being made to the General Fund Balance. Members agreed in year to add £0.044m expenditure to the budget thereby reducing the contribution to the General Fund Balance to £0.031m. The additions being for a Recycling and Refuse waste analysis at £0.025m and Individual Electoral Registration (IER) staffing costs of £0.019m. Other additions to the budget were approved by Council in year but these were funded from earmarked reserves and did not affect the General Fund Balance. A full list of the revised budget amendments are contained in the Outturn Book.
- 2.2 These amendments give a Revised Net Budget total for all Portfolios (expenditure on services less income from fees and charges and any service specific direct funding) of £18.242m against a final outturn position of £15.590m. Before a comparison can be made to the outturn position allowance needs to be made for:
- £0.620m of external income received in 2014/15 for specific projects which will be spent in 2015/16 or later years
 - £0.317m budgeted for specific items in the 2014/15 budget but will now take place in 2015/16 due to either project delays or the need to spend has not arisen within the timescale envisaged.

Again full details are contained in the Outturn Book. Finance will monitor these items to ensure future costs are charged correctly, to ensure budget managers are not creating reserves unnecessarily and to determine the effect on future budget setting.

- 2.3 Allowing for these amendments the outturn budget variations for Portfolio spend is under by £1.715m. An indication of the main variations are given below, full analysis is contained in the Outturn Book:

General Fund 2014/15 – Outturn variations against budget	Variation £000
Savings from vacant posts and structure changes during the year	(729)
Planning Income, additional phase of Cranbrook received near year end	(391)
Revenues & Benefits; additional external funding achieved, income from overpayment identification and recovery, payments below budget including discretionary rate relief.	(270)
Premises savings across a number of assets mainly from utility costs.	(248)
Savings on Grounds Maintenance and Cleansing mainly from extended equipment and machinery life.	(138)
Public Health Licensing income and other efficiencies.	(92)
Homelessness – reduced costs through successful initiatives to reduce homelessness and costs involved.	(91)
Additional external funding secured by Growth Point Team	(90)
Savings on car park cash collection contract and other areas	(52)
Recycling and Refuse contract payments – additional collections required earlier than expected	101
Car park income below budget; pay and display income budget set too optimistically and permit sales also down on expected budget level	178

Note: Amount in brackets () are saving items or additional income.

2.4 So far this report has considered Portfolio spend and income from fees and charges to report on the Portfolio variation of £1.715m. In order to determine the final General Fund position the remaining part of the funding position needs to be considered and here the variations are:

- Funding reduction of £0.604m from earmarked reserves.

The revised budget had £2.236m to be used from earmarked reserves to fund one off items in the 2014/15 budget; of this sum only £1.632m is now required to meet the actual expenditure incurred. The balance of funding will remain in the earmarked reserves to meet expenditure when it occurs in future years.

- National Non Domestic Rate (NNDR)/Business Rate Income.

Rate income is higher than budgeted by £0.619m, there are many factors which influence this amount and relate to detailed calculations inline with the Government Rate Retention Scheme. Part of the variance is £0.109m being received from the Devon Pooling arrangements which would have been returned to Government had we not been in the Pool and £0.122m from renewable energy schemes approved in the District (for such schemes this Council benefits from the rates uplift); neither of these were budgeted due to the risk of receiving them.

Future NNDR predictions are showing lower income levels than the increases we have seen to date, this is mainly because of extremely high rating appeal levels and a few rate avoidance initiatives. **It is recommended that the additional income of £0.619m is transferred to the NNDR Volatility Fund** to smooth out possible future deficits on the NNDR Collection Fund should they arise. Sums were set aside previously and have been used in budget setting as a surplus in 2014/15 was expected.

The Outturn position and summary finance position in the Outturn book shows this transfer as having been made assuming Members agreement.

- Investment income and loan repayments (£0.040m)

Using cash flow more effectively meant loans were not required within the year as planned, this has resulted in a saving on repayments.

- Other variations £0.103m

Details can be seen on the summary General Fund Revenue page in the Outturn Book.

2.5 This gives the overall General Fund position at year end with a transfer into the Balance of £1.079m, compared with a revised budgeted of £0.031m. The updated position for the General Fund Balance is given below.

General Fund Balance Position	£000
Opening Balance 1/4/14	(3,925)
Approved Budget transfer to New Homes Bonus Volatility Fund 2014/15	400
Original Budget Approval	(75)
Supplementary Estimates Approved	44
Net Surplus transfer 2014/15	(1,048)
Transfer from earmarked reserves no longer required	(42)
Closing Balance 31/3/15	(4,646)
Approved Use in 2015/16	105
Estimated Closing Balance 31/3/16	(4,541)

2.6 Taking the General Fund Balance at £4.541m this is £0.941m above the adopted range previously determined by Council, this being between £2.8m and £3.6m. This range is still considered the appropriate level as there has been no key change to the factors used in its determination. It is therefore recommended that £0.941m (the amount above the upper limit) is transferred into the Council's Capital Reserve which will be depleted in 2015/16 and the monies are used to help fund a capital programme going forward.

3. Housing Revenue Account (HRA)

3.1 The 2014/15 budget was set to achieve a surplus of £1.065m, during the course of the year Members agreed to £0.153m additional expenditure through a supplementary estimate; thereby giving a revised budgeted surplus for the year of £0.912m to be paid into the HRA Balance.

3.2 The Outturn position shows an underspend against the revised budget of £0.665m; the main variations are given below.

HRA 2014/15 – Outturn variations against budget	Variation £000
Rent income higher due to reduced void times & excellent collection rates	(238)
Other Income including garden licences, individual garden maintenance, sold flats recovery of costs, rent of land and supporting people self-funders income	(141)
Day to day repairs – increase in demand and storm damage costs (net of £200k interim insurance claim received)	491
Programmed maintenance – includes additional works identified as a result of solid fuel & gas servicing & lift maintenance	94
Repairs & Maintenance special works – unspent budget for catch up repairs	(275)
Underspend on Major Repairs resulting in reduced contribution to the Major Repairs Reserve	(386)
Revenue Contribution to Capital - underspend on capital and additional capital receipts available for funding	(183)

- 3.3 This gives the overall position on the HRA with a transfer into the Balance of £1.577m compared with a budgeted £0.912m. As stated an overall variation underspend of £0.665m. The updated position of the HRA Balance is given below.

HRA Balance Position	£000
Opening Balance 1/4/14	(3,891)
Net surplus into Balance 2014/15	(1,577)
Closing Balance 31/3/15	(5,468)
Approved surplus in 2015/16	(151)
Estimated Closing Balance 31/3/16	(5,619)

- 3.4 The HRA balance at the beginning of 2014/15 was £3.891m with the recommended adopted level being £2.123m. With the surplus in 2014/15 of £1.577m this has raised the 2014/15 year end balance to £5.468m; £3.345m above the minimum level. A HRA Business Plan Volatility Reserve was created in 2012/13 to provide a cushion for repaying the self financing loans should adverse fluctuations in spending and/or rent income occur. The balance in the reserve is currently £2.9m. As the surplus this year is greater than the budgeted surplus by approximately £0.5m and above the Business Plan projection which was inline with the budget, it is suggested that this sum is transferred into the HRA Business Plan Volatility Reserve from the HRA giving a total sum of £3.4m.

A £3.4m Reserve is considered prudent as this amount gives the HRA at least one year's cushion to restructure its budgets should any significant unforeseen expenditure or a dramatic decrease in income occur, whilst still being able to meet debt repayments.

- 3.5 In considering the appropriate level of balances/reserves to be held for the HRA there are two key factors; ensuring the Balance held at any point over the 30 year business plan does not drop below the adopted minimum level of £2.123m and that there is a sufficient sum above this level to meet debt repayments when required as part of the Plan. Both of these criteria have been met.

4 Capital Budget

- 4.1 The revised Capital budget for 2014/15 was £25.109m net expenditure; the outturn position is lower at £18.786m (£6.324m variation). The majority of this underspend is from scheme slippage with expenditure now moved into 2015/16 or later years. The main variations against the revised budget are given below with further details contained in the Outturn Book.

Capital 2014/15 – Outturn variations against Budget	Variation £000
Seaton Visitor Centre – Budget should have been profiled more accurately, there is some scheme slippage	2,171
LED loan for Exmouth Sports Centre extension- legal complications have delayed expected payments but we have met LED cash flow requirements	1,451
Seaton Workshop provision – this scheme is on hold waiting for a new report. Circumstances have changed.	519
Manstone Workshop provision – this scheme is on hold waiting for a new report.	109
Feniton Flood Alleviation Scheme – slippage to 2015/16, scheme complications.	297
Axe Wetlands development – Budget should have been profiled more accurately and there is some slippage.	186
HRA Housing System – scheme to be completed in 2015/16, significant work involved in ensuring system is implemented correctly.	159
Housing in multi occupation Exmouth – scheme slippage to 2015/16	168

- 4.2 The Capital Reserve at the end of 2014/15 is £2.410m; the use of the Reserve in 2014/15 was £0.472m and a contribution was received into the Reserve from New Homes Bonus monies of £0.372m. The Capital Reserve is depleted in 2015/16 based on the planned expenditure. Scheme expenditure above that shown in the future programme will require funding through loans; in reality treasury management may afford projects from internal borrowing but scheme approvals going forward will have to continue to be well managed and implications on borrowing costs carefully considered. **This report recommends the one off savings from the General Fund of £0.941m in 2014/15 are transferred to Capital Reserve to assist with future capital schemes**, particularly those that are mandatory and have no income generation to support their investment. The Capital Reserve position is given below **without** the recommended transfer from the General Fund having been made.

Capital Reserve Position	2014/15 Outturn £000	2015/16 Budget £000	2016/17 Budget £000	2017/18 Budget £000	2018/19 Budget £000
Opening Balance	(2,510)	(2,410)	0	0	0
Use/(contribution) to capital reserve*	472	2,410	0	0	(6,615)
Transfer from New Homes Bonus monies	(372)				
Closing Balance*	(2,410)	0	0	0	(6,615)

Note – Capital resources are used to front fund Exmouth Regeneration, these are assumed to be repaid from capital receipts near the completion of the project, hence Capital Reserve balance returning in 2018/19. This is a broad prediction at this stage and once Officers have firmer details on this project clear funding estimates can be set out.

Other Main Reserves and Balances Available – year end position

Transformation Reserve

The uncommitted balance as at 31/3/15 is £0.352m. This sum is set aside to assist the Council's transformation programme by meeting upfront costs necessarily incurred in order to produce savings/efficiencies in future years.

Local Authority Business Growth Incentive Scheme Reserve

The purpose of this reserve is to promote and deliver economic development. The uncommitted balance on this reserve as at 31/3/15 is £0.201m.

Asset Maintenance Reserve

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

The year end balance is £1.102m. This Reserve is currently used at a rate of around £0.100m to 0.200m annually, although the call upon the Reserve in 2014/15 was only £0.079m. Details of spend are presented to the Asset Management Forum.

Asset Management Plan

Members agreed a budget of £0.218m in 2011/12 to help with resources to progress the Asset Management Plan work. At the end of 2014/15 a balance remains of £0.056m.

Business Rates Volatility Fund

The Balance of this Reserve as at 31/3/15 is £0.449m which is to be used in 2015/16 as part of the approved budget. It is proposed the 2014/15 surplus above budget of £0.626m is transferred into this Reserve at year end to help support future budgets and smooth the volatility of business rate income.

New Homes Bonus Volatility Fund

It has been agreed that New Homes Bonus income should be utilised to support General Fund service expenditure in part, the risk of using such income was acknowledged and the principle of setting up a Fund to mitigate the risk and protect the Authority was agreed.

The balance at the end of 2014/15 is £1.166m which is now at the agreed level inline with using £1.5m of NHB annually to support revenue.

Other Earmarked Reserves

There are other earmarked reserves for specific projects where funding or contributions have been made in advance of spend and monies are held at year end to fund this work in future years. The Outturn Book contains details of these transfers being made in 2014/15 at outturn stage with a complete list of all Reserves held.

Agenda Item: 16

Audit and Governance Committee

25 June 2015



Audit and Governance Committee

Forward Plan 2015/16

Date of Committee	Report	Lead Officer
24 September 2015	<ul style="list-style-type: none">• Internal Audit Activity – Quarter 1 & 2 2014/15• Statement of Accounts 2014/15 and Governance Statement• Report to those charged with Governance• Analysis of consultants fees 2014/15	SWAP Strategic Lead - Finance Grant Thornton Financial Services Manager
19 November 2015	<ul style="list-style-type: none">• Annual audit letter• Risk management review – half year review• KPMG – New Auditor Introduction	Grant Thornton Management Information Officer KPMG
7 January 2016	<ul style="list-style-type: none">• Internal Audit Activity – Quarter 3 2014/15• Audit Committee update• Certification Report	Grant Thornton Grant Thornton SWAP
3 March 2016	<ul style="list-style-type: none">• Annual Audit Plan 2016/17• Audit Plan• Audit Committee update	SWAP KPMG KPMG

Agenda Item: 17

Simon Davey
Director of Finance
East Devon District Council
Knowle
Sidmouth
Devon
EX10 8HL

Our ref DG/TW/EDDC/1516

21 April 2015

Dear Simon

Annual audit fee 2015/16

I am writing to confirm the audit work and fee that we propose for the 2015/16 financial year at East Devon District Council.

Closure of the Audit Commission

Although the Audit Commission formally closed at the end of March 2015, it was responsible for setting audit fees for the audit of the 2015/16 financial year. Our fee proposals are therefore based on the Audit Commission's *Work Programme & Scales of Fees 2015/16*.

Following the closure of the Audit Commission, responsibility for determining audit fees in the future has transferred to Public Sector Audit Appointments Limited (PSAA), an independent company established by the Local Government Association. PSAA will oversee the management of the Audit Commission's audit contracts until they end in 2017, or 2020 if they are extended. The Secretary of State for Communities and Local Government has delegated certain functions formerly exercised by the Audit Commission to PSAA to enable it to deliver these functions.

Also following the Audit Commission's closure, the National Audit Office (NAO) is now responsible for producing and maintaining the Code of Audit Practice (the Code) and providing supporting guidance to auditors. We will follow the requirements of the Code and supporting guidance when delivering our audit work.

Planned audit fee

The planned audit and certification fees for 2015/16 are shown below. All fees are exclusive of VAT.

Audit area	Planned fee 2015/16
Code of Audit Practice audit fee – East Devon District Council	50,821
Certification of grant claims & returns	8,721

In general, the Audit Commission set 2015/16 scale fees based on a reduction of 25 per cent to the fees applicable for 2014/15. This reduction is in addition to the savings of up to 40 per cent in scale audit fees and certification fees in 2012. The planned fee is in line with the scale fee.

As 2015/16 is our first year of audit following our appointment as your external auditor, we will liaise with the out-going auditor, Grant Thornton UK LLP, as their 2014/15 audit progresses to inform our risk assessment, and fees will be reviewed and updated as necessary. We will naturally keep you informed.

Factors affecting audit work for 2015/16

We tailor our work to reflect local circumstances and our assessment of audit risk. We do this by assessing the significant financial and operational risks facing an audited body, and the arrangements it has put in place to manage those risks, as well as considering changes affecting our audit responsibilities or financial reporting standards.

The Chartered Institute for Public Finance and Accountancy (CIPFA) has confirmed that a change in accounting policy will be introduced for the accounts from 2016/17, in relation to the measurement of transport infrastructure assets for authorities with highways responsibilities. Fees for any additional audit work required in 2015/16, the preparatory year, in relation to disclosures in the financial statements, will be subject to approval under the normal fee variations process. The Audit Commission decided that it was not appropriate to increase scale fees because the amount of work required at individual authorities will vary based on local circumstances, and may not be required for more than one year.

Under the Code, we have a responsibility to consider an audited body’s arrangements to secure economy, efficiency and effectiveness in its use of resources. The 2015/16 fees have been set on the basis that the NAO’s Code maintains the scope of work required by auditors under the Audit Commission’s previous Code and supporting guidance. The NAO has not yet published guidance for auditors on the required approach to work on value for money arrangements for 2015/16.

Certification work

As well as our work under the Code, we will certify the 2015/16 claim for housing benefit subsidy to the Department for Work & Pensions

There are no longer any other claims or returns that we are required to certify under the PSAA audit contract. Assurance arrangements for other schemes are a matter for the relevant grant-paying body, and may be the subject of separate fees and tri-partite arrangements between the grant-paying body, the audited body, and the auditor. We would be happy to discuss any such certification needs with you.

Assumptions

The indicative fees are based on a number of assumptions, including that you will provide us with complete and materially accurate financial statements with good quality supporting working papers, within agreed timeframes. It is imperative that you achieve this. If this is not the case and we have to complete more work than was envisaged, we will need to charge additional fees for this work. Our assumptions are set out in more detail in Appendix 1 to this letter.

In setting the fee at this level, we have assumed that the general level of risk in relation to the audit of the financial statements and certification work is not significantly different from that identified for the current year's audit. A more detailed audit plan will be issued in early 2016. This will detail the risks identified, planned audit procedures and (if required) any changes in fee. If we need to make any significant amendments to the audit fee during the course of the audit, I will first discuss this with you and then prepare a report for the Audit and Governance Committee, outlining the reasons why the fee needs to change.

We expect to issue a number of reports relating to our work over the course of the audit. These are listed at Appendix 2.

The proposed fee excludes any additional work we may agree to undertake at the request of East Devon District Council. Any such piece of work will be separately discussed and a detailed project specification agreed with you.

Our team

The key members of our audit team for the 2015/16 audit are:

Name	Role	Contact details
Darren Gilbert	Director	darren.gilbert@kpmg.co.uk 029 2046 8205
Tara Westcott	Senior Manager	tara.westcott@kpmg.co.uk 0117 905 4358

Quality of service

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact me and I will try to resolve your complaint. If you are dissatisfied with your response please contact the national contact partner for all of KPMG's work under our contract with PSAA, Trevor Rees (on 0161 246 4063, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to:

Public Sector Audit Appointments Limited
3rd Floor
Local Government House
Smith Square
London
SW1P 3H

Yours sincerely



Darren Gilbert
Director

Appendix 1 – Audit fee assumptions

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2014/15;
- you will inform us of significant developments impacting on our audit work;
- internal audit meets the appropriate professional standards;
- you will identify and implement any changes required under the CIPFA IFRS-based Code of Practice on Local Authority Accounting within your 2015/16 financial statements;
- your financial statements will be made available for audit in line with the timetable we agree with you;
- good quality working papers and records will be provided to support the financial statements in line with our *prepared by client* request and by the date we agree with you;
- requested information will be provided within agreed timescales;
- prompt responses will be provided to draft reports;
- complete and accurate claims and returns are provided for certification, with supporting working papers, within agreed timeframes; and
- additional work will not be required to address questions or objections raised by local government electors or for special investigations such as those arising from disclosures under the Public Interest Disclosure Act 1998.

Improvements to the above factors may allow reductions to the audit fee in future years. Where these assumptions are not met, we will be required to undertake additional work and charge an increased audit fee. The fee for the audit of the financial statements will be re-visited when we issue the detailed audit plan.

Any changes to our audit plan and fee will be agreed with you. Changes may be required if:

- new residual audit risks emerge;
- additional work is required by KPMG, PSAA, the NAO or other regulators; or
- additional work is required as a result of changes in legislation, professional standards or as a result of changes in financial reporting.

Appendix 2: Planned outputs

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

Planned output	Indicative date
External audit plan	March 2016
Interim audit report	June 2016
Report to those charged with governance (ISA260 report)	September 2016
Auditor's report giving the opinion on the financial statements, value for money conclusion and audit certificate	September 2016
Opinion on Whole of Government Accounts return	September 2016
Annual audit letter	November 2016
Certification of grant claims and returns	February 2017