

Agenda for Audit and Governance Committee

Thursday 7 January 2016, 2.30pm

[Members of the Committee](#)

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

[View directions](#)

Contact: [Amanda Coombes](#), 01395 517543 (or group number 01395 517546): Issued 21 December 2015

- 1 [Public speaking](#)
- 2 Minutes for 19 November 2015 (pages 3-6)
- 3 Apologies
- 4 [Declarations of interest](#)
- 5 [Matters of urgency](#) – none identified
- 6 To agree any items to be dealt with after the public (including press) have been excluded. There are no items that officers recommend should be dealt with in this way.

Part A Matters for Decision

- 7 **Internal Audit Plan – Review of 2015/16 Quarter 3 – SWAP** (pages 8-17)
Appendix A - Report of Internal Audit Activity Quarter 3 Update, 2015/16
Appendix B - Audit Plan Progress Table Qtr 3 2015-16
Appendix C - Audit Framework Definitions 2015-16
- 8 **Certification Report** - Grant Thornton (pages 18-20)
- 9 **Audit and Governance Forward Plan – Strategic Lead, Finance** (page 21)

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[Decision making and equalities](#)

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EAST DEVON DISTRICT COUNCIL

Minutes of a Meeting of the Audit & Governance Committee held in the Council Chamber at Knowle, Sidmouth on 19 November 2015

Attendance list at end of document

The meeting started at 2.30pm and ended at 3:10pm

***25 Chairman's welcome**

The Chairman welcomed everyone to the meeting.

***26 Public Speaking**

There was no public speaking.

***27 Minutes**

The minutes of the Audit and Governance Committee meeting held on 24 September 2015 were confirmed and signed as a true record.

Councillors Nash on behalf of himself and Councillor Gazzard wished for the following statement be added to Minute 19: *'Councillors Nash and Gazzard abstained on the grounds that they had not had time to study the Final Statement of accounts.'*

***28 Declarations**

None

***29 Annual audit letter**

Barrie Morris from Grant Thornton presented the annual audit letter for EDDC, which summarised the audit activity undertaken over the last financial year. He was pleased to report that the key messages on the financial statement were that,

- the accounts were produced to a high standard
- all requests for additional information were dealt with promptly by the finance team
- an action plan had been agreed to with the Council based on their findings from the audit work

Grant Thornton issued an unqualified opinion on the Council's 2014/15 financial statements on 24 September 2015, meeting the deadline set by the Department for Communities and Local Government (DCLG). Their opinion confirmed that the financial statements gave a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Grant Thornton issued an unqualified VfM (Value for Money) conclusion for 2014/15 on 24 September 2015. On the basis of this work, and having regard to the guidance on the specified criteria published by the Audit Commission, they were satisfied that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. There were two significant recommendations in the report:

1. The Council has a rolling programme in place for property plant and equipment revaluations which ensure that all assets are revalued within a five year period, but all assets in the same class are not

revalued in the same year.

2. When the Council consolidated the figures for Strata into its own financial statements, it applied the statutory override to its share of Strata's pensions liabilities; this amounted to £1.22 million. Grant Thornton's view was that was not appropriate, as Strata was a separate corporate body from the Council.

Barrie confirmed that he had met with KPMG to complete the hand-over and gave a perspective of current issues.

RESOLVED:

1. that the Annual Audit Letter from Grant Thornton be noted

***30 Risk management review: half-year review**

The Management Information Officer presented the report to members. Risk information for the 2015/16 financial year until end September 2015 was supplied to allow the Committee to monitor the risk status of Strategic and Operational Risks. This followed the year end full review of risks by responsible officers for 2015/16.

The EDDC's Risk Management Policy required all risks identified by the council to be reviewed bi-annually. There were currently 12 Strategic and 104 Operational Risks, each when first identified were considered high or medium level risks which required some form of mitigation through control actions. For this first full review for 2015/16 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.

In the full risk register there was one risk currently scored as high:

- Failure of correct procedures and practices causing challenges to decisions - Impact: Serious, Likelihood: Very likely, Good scope for improvement. An aggrieved party had recently been given leave by the High Court to pursue a judicial review against a decision of the Council to grant permission for a dwelling on land adjoining their property. The case revolved around whether Members of Development Management Committee in making the decision were consistent in their approach with prior decisions on the same site for a similar form of development. Members of DMC had been briefed on this case and these issues would be picked up through future Members training sessions.

RESOLVED:

that the current status of risks following the full risk review undertaken in September/October 2015 be noted.

***31 KPMG: New Auditor Introduction**

Darren Gilbert introduced himself and Tara Westcott as the new external auditors from KPMG. He stated they were delighted to be working with EDDC and that the company had a good local and regional foundation.

RESOLVED:

that the update from KPMG be noted.

***32 Audit and Governance Forward Plan**

Members noted the contents of the Committee Forward Plan for 2015/16. Jo George from SWAP informed members that the consultants audit report would be reported back at the January meeting. Discussion included:

- looking into the cost of consultants and benchmarking costs compared with other authorities
- The worth of consultants reports
- A consideration of value for money compared with retaining in-house resource
- Were there particular areas of the Council more prone to using consultants?

Items to be considered at the January Committee included:

- Internal Audit Activity – Quarter 3 2014/15
- Audit Committee update
- Certification Report

The Chairman requested the issue of devolution be brought to the January meeting as the Committee were particularly interested in the Governance issues and an update on Enterprise Zones be presented to the committee at an appropriate stage.

RESOLVED:

that the Forward Plan be noted.

Attendance list

Present:

Councillors

Mark Williamson (Chairman)

John Dyson

Steve Hall

Ben Ingham

Bill Nash

Ian Thomas, Portfolio Holder Finance

Geoff Jung

Peter Faithfull

Apologies:

Dean Barrow (Vice Chairman)

Steve Gazzard

John Humphreys

Officers:

Simon Davey, Strategic Lead – Finance

Steve Pratten, Relocation Manager

Beth Levi, Management Information Officer

Amanda Coombes, Democratic Services Officer

Barrie Morris, Director, Grant Thornton

Jo George, Assistant Director, SWAP

Darren Gilbert, Director, KPMG
Tara Westcott, Senior Manager, KPMG

Chairman Date.....

Report to: **Audit and Governance Committee**
Date of Meeting: 7 January 2016
Public Document: Yes
Exemption: None



Agenda item: 7

Subject: Internal Audit Plan – Review of 2015/16 – Quarter 3

Purpose of report: The Audit and Governance Committee agreed the 2015/16 Internal Audit plan at its June 2015 meeting. This report is the update position at the end of Quarter 3.

Appendix A - Report of Internal Activity for Quarter 3.
Appendix B - Plan Progress Table with Status and Opinion for each audit
Appendix C - Audit Opinion Definitions

Recommendation: **To note the content of the Internal Audit Progress Report**

Reason for recommendation: 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 approved by the Audit and Governance Committee in June 2015.

Officer: The Committee are required to review the progress of the audit plan.
Jo George – Assistant Director (SWAP)
Jo.George@southwestaudit.co.uk
Moya Moore – Principal Auditor (SWAP)
Moya.Moore@southwestaudit.co.uk

Financial implications: No direct financial implications

Legal implications: The legal framework is reflected in the report

Equalities impact: Low Impact

Risk: Low Risk

Links to background information:

- Approved Internal Audit Plan 2015/16 – Audit and Governance Meeting June 2015.

Link to Council Plan: .

APPENDIX A



East Devon District Council

Report of Internal Audit Activity
Quarter 3 Update, 2015/16

Contents

The contacts at SWAP in connection with this report are:

Gerry Cox

Chief Executive - SWAP
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David Hill

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Assistant Director
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Our audit activity is split between:

- **Operational Audit**
- **Key Control Audit**
- **Governance, Fraud & Corruption Audit**
- **IT Audit**
- **Special Reviews**

Role of Internal Audit

The Internal Audit service for East Devon District Council is provided by the South West Audit Partnership (SWAP). SWAP has adopted and works to the Standards of the Institute of Internal Auditors, but also follows the CIPFA Code of Practice for internal audit. The Partnership is also guided by the Internal Audit Charter last approved in June 2015.

Internal Audit provides an independent and objective opinion on the Authority's control environment by evaluating its effectiveness. Primarily the work includes;

- Operational Audit Reviews
- Annual Review of Key System Controls
- Cross Cutting Fraud and Governance Reviews
- IT Audit Reviews
- Other Special or Unplanned Reviews

Overview of Internal Audit Activity

Internal Audit work is largely driven by an Annual Audit Plan. This is approved by the Section 151 Officer following consultation with Directors, Assistant Directors, Service Managers and External Audit. This year's Audit Plan was approved by the Audit Committee at its meeting in June 2015.

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

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Operational Audits**

Operational Audits

The schedule provided at [Appendix B](#) contains a list of all audits as agreed in the Annual Audit Plan 2015/16. 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.

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

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

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

In Quarter 3 there was 1 Operational audit planned (Debt Management) and 1 follow up audit planned (Enforcement Agent Follow Up). Audits not yet finalised from Quarters 1 and 2 are also included in the following table for information:

Audit Area	Opinion	Audit Area	Opinion
Home Safeguard	Draft	S106 Planning Obligations	Not started
Enforcement Agent Follow Up	Not Started	Debt Management	Not Started.

A draft report for Home Safeguard has been issued and we are awaiting comment from management.

Enforcement Agent Follow up and Debt Management have been discussed with management and work is due to commence Jan 2016.

The S106 Planning Obligations Audit has not yet started owing to the timings of the Community Infrastructure Levy implementation. This in turn has been delayed by the need for an approved Local Plan.

In addition to the above audits, the Building Control Fees has been finalised in the period (reasonable assurance), along with the Leisure East Devon Audit 2014/15 (reasonable assurance).

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- Key Control Audits
- Information Systems

Key Controls Audits

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. Progress on the 8 key control audits scheduled for Quarter 3 is as follows:

Audit Area	Opinion	Audit Area	Opinion	Audit Area	Opinion
Council Tax and NDR	Draft	Housing Benefits	In Progress	Car Park Income	Final (Reasonable)
Main Accounting	Draft	Housing Rents	Not Started	Payroll	Final (Substantial)
Treasury Management	Draft	Creditors	Not Started		

Information Systems

Information Systems – IT audits provide the Authority with assurance with regards to their compliance with industry best practice. In Quarter 3 there was 1 IT audit planned (Help Desk).

Audit Area	Opinion	Audit Area	Opinion
Incident & Problem Management (Help Desk)	Not Started	Protective Marking	In Progress

Initiation work to commence Incident and Problem Management has taken place. Mobile and Remote Working was also finalised in the period with reasonable assurance.

Quarter 3 Outturn:

Audit Assignments undertaken in the Quarter

- **Governance, Fraud and Corruption Audits**
- **Special Reviews**

Governance, Fraud and Corruption Audits

Governance, Fraud and Corruption Audits focus primarily on key risks relating to cross cutting areas that are controlled and/or impact at a Corporate rather than Service specific level. It also provides an annual assurance review of areas of the Council that are inherently higher risk. This work will in some cases enable SWAP to provide management with added assurance that they are operating best practice as we will be conducting these reviews at all of our Client sites.

There were no governance audits planned for Quarter 3, however progress on audits scheduled for Quarters 1 and 2 are included for information on the table below:

Audit Area	Opinion	Audit Area	Opinion
Mobile Support Officers (Wardens)	Draft	Committee Decisions	Not Started

During the period Expenses and Reimbursement Fraud Prevention was finalised with Substantial assurance.

Special Reviews

No special reviews have been requested in the period.

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

Future Planned Work

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

Conclusions

For the audits completed to report stage, each report contains an action plan with a number of recommendations which are given service priorities. Definitions of these priorities can be found in the Categorisation of Recommendations section of [Appendix C](#).

The Committee will be aware that in June 2015, SWAP were pleased to provide an Audit Opinion for the Annual Governance Statement for 2014/15 that gave Reasonable Assurance.

Our approach to the audits for 2015/16 reflects this positive assurance and we are seeking to undertake more challenging and cross-cutting reviews rather than traditional service reviews that we have done over recent years, given that these areas have now proven themselves to have adequate and often good internal controls. We shall continue to give ongoing assurance on key controls, but similarly we can do this with less resource than we have previously.

A list of all audits planned for 2015/16 and their status at the end of Quarter 2 are detailed in [Appendix B](#).

There were no High Priority Findings identified from the work completed so far in Quarter 3.

Audit Type	Audit Title	Quarter	Status	Opinion	No. of reccs	Recommendations				
						5	4	3	2	1
Advice	Council Office Relocation	1	Ongoing	Non Opinion	0	0	0	0	0	0
Follow Up	Streetscene Asset Inspections (Public Safety)	1	Final	Non Opinion	0	0	0	0	0	0
Follow Up	Emergency Planning	1	Final	Non Opinion	0	0	0	0	0	0
Operational	Civil Contingencies / Disaster Recovery	1	Removed	-	0	0	0	0	0	0
Key Control	Car Parks Income	1	Final	Reasonable	10	0	1	8	1	0
Operational	Building Control Fees	1	Final	Reasonable	8	0	1	3	4	0
ICT	Mobile and Remote Working	1	Final	Reasonable	9	0	0	9	0	0
Special Investigation	Abuse of Position	1	Final	Non Opinion	0	0	0	0	0	0
Governance, Fraud & Corruption	Expenses & Reimbursement Fraud Prevention	1	Final	Substantial	0	0	0	0	0	0
Operational	S106 Planning Obligations	2	Not Started		0	0	0	0	0	0
Follow Up	Private Water Supply	2	Final	Non Opinion	0	0	0	0	0	0
Operational	Food Safety	2	Removed	-	0	0	0	0	0	0
Operational	Home Safeguard	2	Draft		0	0	0	0	0	0
Follow Up	Tenancy Fraud	2	Final	Non Opinion	0	0	0	0	0	0
ICT	Protective Marking	2	In Progress		0	0	0	0	0	0
Governance, Fraud & Corruption	Committee Decisions	2	Not Started		0	0	0	0	0	0
Governance, Fraud & Corruption	Mobile Support Officers (Wardens)	2	Draft		0	0	0	0	0	0
ICT	Incident & Problem Management (Help	3	Not Started		0	0	0	0	0	0
Key Control	Main Accounting	3	Draft		0	0	0	0	0	0
Key Control	Council Tax and Non-Domestic Rates	3	Draft		0	0	0	0	0	0
Key Control	Housing and Council Tax Benefits	3	In Progress		0	0	0	0	0	0
Key Control	Payroll	3	Final	Substantial	0	0	0	0	0	0
Key Control	Creditors	3	Not Started		0	0	0	0	0	0
Key Control	Treasury Management	3	Draft		0	0	0	0	0	0
Key Control	Housing Rents	3	Not Started		0	0	0	0	0	0
Follow Up	Enforcement Agents	3	Not Started		0	0	0	0	0	0
Operational	Debt Management	3	Not Started		0	0	0	0	0	0
Operational	Asset Register & Land Record Management	4			0	0	0	0	0	0
Operational	Leisure East Devon	4			0	0	0	0	0	0
Operational	SITA Waste Collection	4			0	0	0	0	0	0
Governance, Fraud & Corruption	Grant Awards	4			0	0	0	0	0	0
Governance, Fraud & Corruption	Use of Consultants	4			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.



Grant Thornton

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10 December 2015

Dear Simon

Certification work for East Devon District Council for year ended 31 March 2015

We are required to certify certain claims and returns submitted by East Devon District Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) have taken on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015

We have certified one claim for the financial year 2014/15, the Council's Housing Benefits return, which covered expenditure of £31.6 million. Further detail of our certification work on this claim is set out in Appendix A.

There were no significant issues arising from our certification work which we wish to highlight for your attention. The claim was amended in respect of two errors that we identified, but we did not need to issue a qualification letter. We are satisfied that the Council has appropriate arrangements to compile the return for audit certification.

The indicative fee for 2014/15 for the Council is based on the final 2012/13 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification under the Audit Commission regime (such as the national non-domestic rates return and pooling housing capital receipts return) have been removed. Where the Council requires certification of other claims, such as pooling of housing capital receipts, these are undertaken as a separate engagement. The indicative scale fee set by the Audit Commission for the Council for 2014/15 is £10,810. This is set out in more detail in Appendix B.

Yours sincerely

For Grant Thornton UK LLP

Chartered Accountants

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Appendix A - Details of claims and returns certified for 2014/15

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing Benefit Subsidy for 2014/2015	£31,662,822	Yes	17,538,082	No	Our review of the draft Housing Benefit Subsidy Claim Form identified that the Council had omitted to include a value for Rental Income in Cell 220. The claim form was subsequently amended. This had no impact on any subsidy claimed.
			265	No	Due to software issues within the Academy system, we identified an error in relation to DWP error overpayments not recovered. The value of the amendment was identified and agreed with officers. This increased the amount of subsidy due to the Council by £265.

Appendix B: Fees for 2014/15 certification work

Claim or return	2013/14 indicative fee (£)	2014/15 indicative fee (£)	2014/15 actual fee (£)	Variance from indicative fee (£)	Explanation for variances
Housing Benefits Subsidy claim (BEN01)	8,810	10,810	10,810	0	The indicative fee for 2014/15 was set by the Audit Commission based on the 2012/13 outturn. There is no proposed change to the 2014/15 indicative fee.

Agenda Item: 9

Audit and Governance Committee

7 January 2016



Audit and Governance Committee

Forward Plan 2015/16

Date of Committee	Report	Lead Officer
3 March 2016	<ul style="list-style-type: none">• Annual Audit Plan 2016/17• External Audit Plan• Audit Committee update	SWAP KPMG KPMG