

# South Hams Audit Committee



<b>Title:</b>	<b>Agenda</b>
<b>Date:</b>	<b>Thursday, 6th February, 2020</b>
<b>Time:</b>	<b>2.00 pm</b>
<b>Venue:</b>	<b>Cary Room - Follaton House</b>
<b>Full Members:</b>	<p style="text-align: center;"><b>Chairman</b> Cllr Holway <b>Vice Chairman</b> Cllr Austen</p> <p><i>Members:</i> Cllr Brazil Cllr Spencer Cllr Pennington Cllr Taylor Cllr McKay</p>
<b>Interests – Declaration and Restriction on Participation:</b>	Members are reminded of their responsibility to declare any disclosable pecuniary interest not entered in the Authority's register or local non pecuniary interest which they have in any item of business on the agenda (subject to the exception for sensitive information) and to leave the meeting prior to discussion and voting on an item in which they have a disclosable pecuniary interest.
<b>Committee administrator:</b>	Democratic.Services@swdevon.gov.uk

<b>1. Minutes</b>	<b>1 - 6</b>
To approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 7 November 2019;	
<b>2. Urgent Business</b>	
Brought forward at the discretion of the Chairman;	
<b>3. Division of Agenda</b>	
To consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;	
<b>4. Declarations of Interest</b>	
Members are invited to declare any personal or disclosable pecuniary interests they may have, including the nature and extent of such interests, in any items to be considered at this meeting;	
<b>5. Grant Thornton Audit Progress Report and Sector Update</b>	<b>7 - 20</b>
<b>6. Outcome of Triennial Revaluation of the Pension Fund</b>	<b>21 - 26</b>
<b>7. Update on Progress on the 2019-20 Internal Audit Plan</b>	<b>27 - 50</b>
<b>8. Committee Workplan for the 2019/20 Financial Year</b>	<b>51 - 52</b>

**N.B.** Legal and financial officers will not, as a general rule, be present throughout all meetings, but will be on standby if required. Members are requested to advise Democratic Services in advance of the meeting if they require any information of a legal or financial nature.

**MINUTES OF A MEETING OF THE AUDIT COMMITTEE  
 HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 7 NOVEMBER 2019**

<b>Members in attendance</b> * Denotes attendance			
*	Cllr L Austen (Vice-Chairman)	*	Cllr J T Pennington
*	Cllr J Brazil	*	Cllr B Spencer
*	Cllr T R Holway (Chairman)	*	Cllr B Taylor
*	Cllr J McKay		

<b>Members also in attendance:</b>
Cllrs H D Bastone, J D Hawkins, N A Hopwood, D W May and J A Pearce

<b>Item No</b>	<b>Minute Ref No below refers</b>	<b>Officers and Visitors in attendance</b>
All Items		Chief Executive; Section 151 Officer; Finance HOP Lead; Internal Audit Manager; Case Management Manager; Senior Specialist – Democratic Services; Senior Specialist (ICT Information Security); and Grant Thornton Audit Manager.

**A.19/19 MINUTES**

The minutes of the meeting of the Committee held on 25 July 2019 were confirmed as a correct record and signed by the Chairman.

**A.20/19 URGENT BUSINESS**

The Chairman advised that he had no urgent items to be raised at this meeting.

**A.21/19 DECLARATIONS OF INTEREST**

Members and officers were invited to declare any interests in the items of business to be considered during the course of the meeting, but none were made.

**A.22/19 GRANT THORNTON AUDIT PROGRESS REPORT AND SECTOR UPDATE**

The Committee considered a paper from Grant Thornton that provided a progress update on delivering their responsibilities as the Council’s External Auditors.

In discussion, the following points were raised:

- (a) The Grant Thornton Audit Manager informed that it was his intention for their External Audit Plan for 2019/20 to be presented to the next Committee meeting that was scheduled to be held on 6 February 2020;
- (b) With regard to the independent Redmond Review (that had been tasked with examining local authority financial reporting and auditing), the Section 151 Officer confirmed that she would be preparing a response as part of the consultation exercise.

It was then:

**RESOLVED**

That the contents of the Grant Thornton Audit Progress Report and Sector Update be acknowledged.

**A.23/19 GRANT THORNTON ANNUAL AUDIT LETTER**

Members considered the Grant Thornton Annual Audit Letter that summarised the key findings arising from their work that was carried out at the Council for the year ended 31 March 2019.

In the ensuing discussion, particular reference was made to:-

- (a) the valuation of land and buildings. A Member sought clarity over the comments in the Letter that the valuation of land and buildings was considered to be a 'significant risk'. In support of this finding, the Grant Thornton Audit Manager advised that the Council currently reviewed its valuations over a five-year rolling period. As a result, there was potentially 20% of the Council's estate that would not have been re-valued in any five year period;
- (b) the pension fund. The Section 151 Officer informed Members that the outcome of the Triennial Revaluation of the Pension Fund was to be presented to the next Committee meeting on 6 February 2020.

It was then:

**RESOLVED**

That the contents of the Annual Audit Letter for 2018/19 be noted.

**A.24/19 TREASURY MANAGEMENT MID-YEAR REVIEW**

A report was considered that presented a mid-year review of the Council's Treasury Management Strategy.

In debate, the following points were raised:-

- (a) A number of Members commended the performance whereby the Council had outperformed the industry benchmark by 0.26%;
- (b) In reply to a question, the Section 151 Officer advised that the Council was currently assessing the impact of the 1% increase on the Public Works Loan Board (PWLB) Interest Rate on all of the business cases that would involve external borrowing.

Having been informed that it was the role of the Audit Committee to review the arrangements in place for Risk Management (such that the Audit Committee would review a Risk Register that underpinned a Business Case only after it had been approved by the Executive or Council), a Member proceeded to put on record that he fundamentally disagreed with this viewpoint.

Whilst the PWLB Interest Rate increase was likely to impinge upon the number of capital projects that could be delivered within the Council's overall borrowing limit of £75 million (in terms of financial viability), the Section 151 Officer was content that there was no current need to commission external advisors to provide any further advice on this limit.

The Committee also noted that there may now be other sources of finance that could be accessed at a lower Interest Rate than the PWLB;

It was then:

### **RESOLVED**

That the contents of the report be endorsed.

A.25/19

### **STRATEGIC RISK AND OPPORTUNITY MONITORING – REGULAR UPDATE**

A report was considered that presented the six monthly update on the Council's Risk and Opportunity Management Strategy.

In discussion, some Members expressed their surprise that the Risk regarding the financial position of West Devon Borough Council did not appear on the Risk Register. In noting that it was proposed to conduct a detailed review into the Register, the Committee requested that this specific Risk be reinstated as part of this exercise.

It was then:

**RESOLVED**

1. That the Strategic Risk and Opportunity Register be reviewed and, as part of this exercise, the 'Budget Position of West Devon Borough Council' be added to the Register; and
2. That the proposal to review the Risk Register using a 'PESTLE' (Political, Economic, Sociological, Technological, Legal and Environmental) analysis approach be approved, with the outcome of this review being presented back to the Committee at its meeting on 26 March 2020.

A.26/19

**SUNDRY DEBT**

Members considered a report that provided an update of the position regarding outstanding Sundry Debt and Housing Benefit Overpayments collections up to 30 September 2019.

In discussion, reference was made to:-

- (a) Section 106 Deposits. In reply to some specific requests, it was agreed that officers would meet with any interested Members outside of the meeting to discuss Section 106 Deposits in more detail;
- (b) Debtor Days. In future update reports, the Committee requested that greater information relating to Debtor Days be included;
- (c) the uncollected target for outstanding Sundry Debt. The Committee congratulated officers for the ongoing progress that was being made on collection levels and felt it may now be timely to revisit the current target of £700,000;
- (d) the reasons for Housing Benefit Overpayments being made. When questioned, officers advised that the overriding reason for Overpayments being made was due to changes in personal circumstances before the Council had been informed.

It was then:

**RESOLVED**

That the contents of the report be endorsed.

## A.27/19 UPDATE ON PROGRESS ON THE 2019/20 INTERNAL AUDIT PLAN

A report was considered that informed the Committee of the principal activities and findings of the Council's Internal Audit team for 2019/20 to 4 October 2019 by:

- showing the progress made by Internal Audit against the 2019/20 annual Internal Audit Plan (as approved by the Committee in March 2019); and
- highlighting any revisions to the 2019/20 Internal Audit Plan.

In discussion, reference was made to:-

- (a) staff sickness absence levels. The Committee welcomed the fact that absence levels had now reduced amongst the Team;
- (b) additions to the Plan. By way of an update, the Internal Audit Manager advised of the following additions to the Plan:
  - Parking Permits – added at the request of the Leader of the Council; and
  - Purchasing Cards – added at the request of the Section 151 Officer.
- (c) the Greater Dartmoor Local Enterprise Action Fund (LEAF) and South Devon Coastal Action Group (LAG). It was confirmed that officer time to audit these grants could be reclaimed;
- (d) the Use of Social Media Audit. When questioned, officers clarified that the Audit did include both Members and officers and the conclusion was that the policies remained fit for purpose;
- (e) the Cyber Security Audit. At the request of the Committee, the Senior Specialist (ICT Information Security) was in attendance to provide an update on the measures that the Council had in place. Due to the nature of the update, it was **PROPOSED** and **SECONDED** and on being put to the vote was declared **CARRIED** that:

‘In accordance with Section 100(A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting during consideration of the following item of business as the likely disclosure of exempt information as defined in paragraph 3 of Schedule 12A to the Act is involved.’

Once the Committee was satisfied that it had no further questions or issues to raise, it was then **PROPOSED** and **SECONDED** and on being put to the vote was declared **CARRIED** that:

‘The public and press be re-admitted to the meeting.’

It was then:

**RESOLVED**

That the progress made against the 2019/20 Internal Audit Plan (and any key issues arising) be approved.

**A.28/19 INTERNAL AUDIT CHARTER AND STRATEGY 2019/20**

A report was considered that sought to review and approve the Internal Audit Charter and Strategy 2019/20.

With no questions or debate ensuing, it was then:

**RESOLVED**

That the Internal Audit Charter and Strategy 2019/20 be approved.

**A.29/19 PROPOSED COMMITTEE WORKPLAN FOR THE 2019/20 FINANCIAL YEAR**

In considering its Annual Workplan, the Committee was reminded of the potential significance of the 'Outcome of the Triennial Revaluation of Pension Fund' that was scheduled to be considered at the next meeting on 6 February 2020. Depending on the outcome of the Revaluation, if there were potential significant budget implications, then it could be necessary to bring forward the date of the meeting because the Executive was due to make its final recommendations on the 2020/21 Budget before the Committee was next due to meet.

(Meeting commenced at 10.00 am and finished at 11.50 am)

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Chairman



# Audit Progress Report and Sector Update

South Hams District Council  
Year ending 31 March 2020  
page 7  
6 February 2020



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# Introduction

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This paper provides the Audit 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 as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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 Engagement Manager.

# Progress at 31 December 2019

## Financial Statements Audit

### 2018/19

We issued our opinion on your 2018/19 Statement of Accounts on 31 July 2019 together with the certificate of closure of the audit.

### 2019/20

We have commenced the planning for the 2019/20 audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2019/20 financial statements to the March 2020 Audit Committee.

Our interim audit will take place in early 2020, as agreed with your officers.

Our interim fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

We will report our work in the Audit Committee Progress Report and aim to give our opinion on the Statement of Accounts by the accounts publication date of 31 July 2020

## Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Details of our initial risk assessment to determine our approach will be included in our Audit Plan.

We will report our work in the Audit Findings Report and aim to give our Value For Money Conclusion by the statutory accounts publication date of 31 July 2020.

# Progress at December 2019 (Cont.)

## Other areas

### Certification of claims and returns

The Council's annual Housing Benefit Subsidy for 2018/19 claim will be audited by KPMG.

We will be responsible for the certification of the Council's 2019/20 Housing benefit claim.

### Meetings

We hold regular liaison meetings with Management to understand the Council's current position and future plans, and developments and to ensure the audit process is smooth and effective.

We have met regularly with Finance Officers as part of our liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective.

We met with your finance team on 27 November 2019 to debrief the 2018/19 audit and plan the 2019/20 audit work.

### Publications

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

## Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2019/20 is the second year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in 2018/19 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the "few improvements needed" (2A) rating means that additional audit work is required.

We are currently reviewing the impact of these changes on both the cost and timing of audits. We will discuss this with your Section 151 Officer & Strategic Finance Lead including any proposed variations to the Scale Fee set by PSAA Limited, before communicating fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

# Audit Deliverables

2019/20 Deliverables	Planned Date	Status
<p><b>Fee Letter</b></p> <p>Confirming audit fee for 2019/20.</p>	April 2019	Complete
<p><b>Accounts Audit Plan</b></p> <p>We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2019-20 financial statements.</p>	March 2020	Not yet due
<p><b>Interim Audit Findings</b></p> <p>We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.</p>	March 2020	Not yet due
<p><b>Audit Findings Report</b></p> <p>The Audit Findings Report will be reported to the July Audit Committee.</p>	July 2020	Not yet due
<p><b>Auditors Report</b></p> <p>This is the opinion on your financial statement, annual governance statement and value for money conclusion.</p>	July 2020	Not yet due
<p><b>Annual Audit Letter</b></p> <p>This letter communicates the key issues arising from our work.</p>	August 2020	Not yet due

# Sector Update

Councils continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local  
government

# MHCLG – Independent probe into local government audit

In July, the then Communities secretary, James Brokenshire, announced the government is to examine local authority financial reporting and auditing.

At the CIPFA conference he told delegates the independent review will be headed up by Sir Tony Redmond, a former CIPFA president.

The government was “working towards improving its approach to local government oversight and support”, Brokenshire promised.

“A robust local audit system is absolutely pivotal to work on oversight, not just because it enforces confidence in financial reporting but because it reinforces service delivery and, ultimately, our faith in local democracy,” he said.

“There are potentially far-reaching consequences when audits aren’t carried out properly and fail to detect significant problems.”

The review will look at the quality of local authority audits and whether they are highlighting when an organisation is in financial trouble early enough.

It will also look at whether the public has lost faith in auditors and whether the current audit arrangements for councils are still “fit for purpose”.

On the appointment of Redmond, CIPFA chief executive Rob Whiteman said: “Tony Redmond is uniquely placed to lead this vital review, which will be critical for determining future regulatory requirements.

“Local audit is crucial in providing assurance and accountability to the public, while helping to prevent financial and governance failure.”

He added: “This work will allow us to identify what is needed to make local audit as robust as possible, and how the audit function can meet the assurance needs, both now and in the future, of the sector as a whole.”



In the question and answer session following his speech, Brokenshire said he was not looking to bring back the Audit Commission, which appointed auditors to local bodies and was abolished in 2015. MHCLG note that auditing of local authorities was then taken over by the private, voluntary and not-for-profit sectors.

He explained he was “open minded”, but believed the Audit Commission was “of its time”.

Local authorities in England are responsible for 22% of total UK public sector expenditure so their accounts “must be of the highest level of transparency and quality”, the Ministry of Housing, Local Government and Communities said. The review will also look at how local authorities publish their annual accounts and if the financial reporting system is robust enough.

Redmond, who has also been a local authority treasurer and chief executive, is expected to report to the communities secretary with his initial recommendations in December 2019, with a final report published in March 2020. Redmond has also worked as a local government boundary commissioner and held the post of local government ombudsman.

The terms of reference focus on whether there is an “expectation gap” between the purpose of external audit and what it is currently delivering. It will examine the performance of local authority audit, judged according to the criteria of economy, effectiveness and efficiency.

Other key areas of the review include whether:

- 1) audit recommendations are effective in helping councils to improve financial management
- 2) auditors are using their reporting powers appropriately
- 3) councils are responding to auditors appropriately
- 4) Financial savings from local audit reforms have been realised
- 5) There has been an increase in audit providers
- 6) Auditors are properly responding to questions or objections by local taxpayers
- 7) Council accounts report financial performance in a way that is transparent and open to local press scrutiny



# National Audit Office – Code of Audit Practice

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfill their statutory responsibilities under the Local Audit and Accountability Act 2014. 'Relevant authorities' are set out in Schedule 2 of the Act and include local councils, fire authorities, police and NHS bodies.

Local auditors must comply with the Code of Audit Practice.

## Page 15 Consultation – New Code of Audit Practice from 2020

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

In order to determine what changes might be appropriate, the NAO is consulting on potential changes to the Code in two stages:

**Stage 1** involves engagement with key stakeholders and public consultation on the issues that are considered to be relevant to the development of the Code.

**This stage of the consultation is now closed.** The NAO received a total of 41 responses to the consultation which included positive feedback on the two-stage approach to developing the Code that has been adopted. The NAO state that they have considered carefully the views of respondents in respect of the points drawn out from the [Issues paper](#) and this will inform the development of the draft Code. A summary of the responses received to the questions set out in the [Issues paper](#) can be found below.

[Local audit in England Code of Audit Practice – Consultation Response \(pdf – 256KB\)](#)

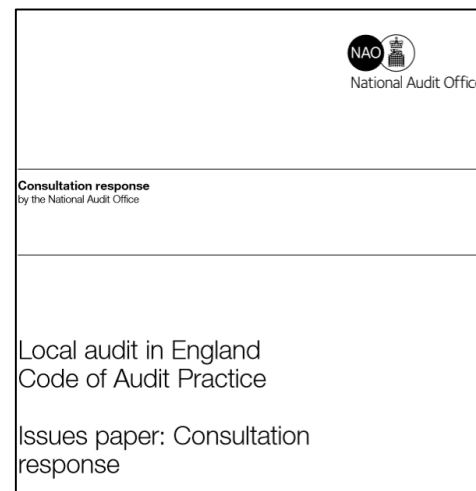
**Stage 2** of the consultation involves consulting on the draft text of the new Code. To support stage 2, the NAO has published a consultation document, which highlights the key changes to each chapter of the draft Code. The most significant changes are in relation to the Value for Money arrangements. Rather than require auditors to focus on delivering an overall, binary, conclusion about whether or not proper arrangements were in place during the previous financial year, the draft Code requires auditors to issue a commentary on each of the criteria. This will allow auditors to tailor their commentaries to local circumstances. The Code proposes three specific criteria:

- Financial sustainability: how the body plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the body ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the body uses information about its costs and performance to improve the way it manages and delivers its services.

The consultation document and a copy of the draft Code can be found on the NAO website. The consultation closed on 22 November 2019. The new Code will apply from audits of local bodies' 2020-21 financial statements onwards.

Link to NAO webpage for the Code consultation:

<https://www.nao.org.uk/code-audit-practice/code-of-audit-practice-consultation/>



# Financial Reporting Council – Summary of key developments for 2019/20 annual reports

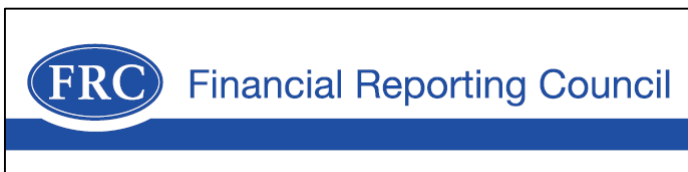
On 30 October the Financial Reporting Council (FRC) wrote an Open Letter to Company Audit Committee Chairs. Some of the points are relevant to local authorities.

## The reporting environment

The FRC notes that, “In times of uncertainty, whether created by political events, general economic conditions or operational challenges, investors look for greater transparency in corporate reports to inform their decision-making. We expect companies to consider carefully the detail provided in those areas of their reports which are exposed to heightened levels of risk; for example, descriptions of how they have approached going concern considerations, the impact of Brexit and all areas of material estimation uncertainty.” These issues equally affect local authorities, and the Statement of Accounts or Annual Report should provide readers with sufficient appropriate information on these topics.

## Critical judgements and estimates

The FRC wrote “More companies this year made a clear distinction between the critical judgements they make in preparing their accounts from those that involve the making of estimates and which lead to different disclosure requirements. However, some provided insufficient disclosures to explain this area of their reporting where a particular judgement had significant impact on their reporting; for example, whether a specific investment was a joint venture or a subsidiary requiring consolidation. We will continue to have a key focus on the adequacy of disclosures supporting transparent reporting of estimation uncertainties. An understanding of their sensitivity to changing assumptions is of critical value to investors, giving them clearer insight into the possible future changes in balance sheet values and which can inform their investment decisions.” Critical judgements and estimates also form a crucial part of local authority statements of account, with the distinction often blurred.



## IFRS 16 Leases

The FRC letter notes “IFRS 16 is effective for periods beginning on or after 1 January 2019. We recently conducted a thematic review looking at how companies reported on their adoption of the new standard in their June 2019 interim accounts. In advance of our detailed findings which will be published shortly, I set out what we expect to see by way of disclosures in the forthcoming accounts, drawing on the results of our work.

- Clear explanation of the key judgements made in response to the new reporting requirements;
- Effective communication of the impact on profit and loss, addressing any lack of comparability with the prior year;
- Clear identification of practical expedients used on transition and accounting policy choices; and
- Well explained reconciliation, where necessary, of operating lease commitments under IAS 17, ‘Leases’, the previous standard and lease liabilities under IFRS 16.”

The implementation of IFRS is delayed until 1 April 2020 in the public sector when it will replace IAS 17 Leases and the three interpretations that supported its application. Authorities will need information and processes in place to enable them to comply with the requirements. They will need to make disclosures in the 2019/20 accounts about the impact of IFRS 16 in accordance with IAS 8/ Code 3.3.4.3 requirements for disclosure about standards which are issued but are not yet effective.

## Financial Reporting



### Challenge question:

Will you have the opportunity to review and comment on your authority’s statement of accounts before they are published at the end of May?

# What is the future for local audit?

Paul Dossett, Head of local government at Grant Thornton, has written in the Municipal Journal “Audit has been a hot topic of debate this year and local audit is no exception. With a review into the quality of local audit now ongoing, it’s critical that part of this work looks at the overarching governance and management of the audit regime. We believe there is a strong need for new oversight arrangements if the local audit regime is to remain sustainable and effective in the future.”

Paul goes on to write “Local (local authority and NHS) audit has been a key part of the oversight regime for public services for more than a century. The National Audit Office (NAO) has exercised this role in central government for several generations and their reporting to Parliament via the Public Accounts Committee is a key part of the public spending accountability framework.

Local audit got a significant boost with the creation of the Audit Commission in 1983 which provided a coordinated, high profile focus on local government and (from 1990) NHS spending and performance at a local level. Through undertaking value for money reviews and maintaining a tight focus on the generational governance challenges, such as rate capping in the 1980s and service governance failings in the 1990s, the Commission provided a robust market management function for the local audit regime. Local audit fees, appointments, scope, quality and relevant support for auditors all fell within their ambit.

However, the Commission was ultimately deemed, among other things, to be too expensive and was abolished in 2010, as part of the Coalition Government’s austerity saving plans. While the regime was not perfect, and the sector had acknowledged that reform of the Commission was needed, complete abolition was not the answer.

Since then, there has been no body with complete oversight of the local audit regime and how it interacts with local public services. The Ministry of Housing, Communities and Local Government; Department of Health; NHS; NAO; Local Government Association (LGA); Public Sector Audit Appointments Ltd (PSAA); the Financial Reporting Council (FRC); the Chartered Institute of Public Finance & Accountancy (CIPFA), audit firms and the audited bodies themselves all have an important role to play but, sometimes, the pursuit of individual organisational objectives has resulted in sub-optimal and even conflicting outcomes for the regime overall.

These various bodies have pursued separate objectives in areas such as audit fee reduction, scope of work, compliance with commercial practice, earlier reporting deadlines and mirroring commercial accounting conventions – to name just a few.

This has resulted in a regime that no stakeholder is wholly satisfied with and one that does not ensure local audit is providing a sufficiently robust and holistic oversight of public spending.

To help provide a more cohesive and co-ordinated approach within the sector, we believe that new oversight arrangements should be introduced. These would have ultimate responsibility for ensuring the sustainability of the local audit regime and that its component parts – including the Audit Code, regulation, market management and fees – interact in an optimal way. While these arrangements do not need to be another Audit Commission, we need to have a strategic approach to addressing the financial sustainability challenges facing local government and the NHS, the benchmarking of performance and the investigation of governance failings.

There are a number of possible solutions including:

- 1) The creation of a new arm’s length agency with a specific remit for overseeing and joining up local audit. It would provide a framework to ensure the sustainability of the regime, covering fees, appointments, and audit quality. The body would also help to create a consistent voice to government and relevant public sector stakeholders on key issues arising from the regime. Such a body would need its own governance structure drawn from the public sector and wider business community; and
- 2) Extending the current remit of the NAO. Give it total oversight of the local audit regime and, in effect, establish a local audit version of the NAO, with all the attendant powers exercised in respect of local audit. In this context, there would be a need to create appropriate governance for the various sectors, similar to the Public Accounts Committee.

While the detail of the new arrangements would be up for debate, it’s clear that a new type of oversight body, with ultimate responsibility for the key elements of local audit, is needed. It would help to provide much-needed cohesion across the sector and between its core stakeholders.

The online article is available here:

<https://www.themj.co.uk/What-is-the-future-for-audit/214769>

# Grant Thornton's Sustainable Growth Index Report

Grant Thornton has launched the Sustainable Growth Index (formerly the Vibrant Economy Index) – now in its third year. The Sustainable Growth Index seeks to define and measure the components that create successful places. Our aim in establishing the Index was to create a tool to help frame future discussions between all interested parties, stimulate action and drive change locally. We have undergone a process of updating the data for English Local Authorities on our online, interactive tool, and have produced an updated report on what the data means. All information is available on our online hub, where you can read the new report and our regional analyses.

The Sustainable Growth Index provides an independent, data-led scorecard for each local area that provides:

- businesses with a framework to understand their local economy and the issues that will affect investment decisions both within the business and externally, a tool to support their work with local enterprise partnerships, as well as help inform their strategic purpose and CSR plans in light of their impact on the local social and economic environment
- policy-makers and place-shapers with an overview of the strengths, opportunities and challenges of individual places as well as the dynamic between different areas
- Citizens with an accessible insight into how their place is doing, so that they can contribute to shaping local discussions about what is important to them

The Index shows the 'tip of the iceberg' of data sets and analysis our public services advisory team can provide our private sector clients who are considering future locations in the UK, or wanting to understand the external drivers behind why some locations perform better than others.

Our study looks at over 50 indicators to evaluate all the facets of a place and where they excel or need to improve.

Our index is divided into six baskets. These are:

- 1 Prosperity
- 2 Dynamism and opportunity
- 3 Inclusion and equality
- 4 Health, wellbeing and happiness
- 5 Resilience and sustainability
- 6 Community trust and belonging

This year's index confirms that cities have a consistent imbalance between high scores related to prosperity, dynamism and opportunity, and low scores for health, wellbeing, happiness inclusion and equality. Disparity between the richest and poorest in these areas represents a considerable challenge for those places.

Inclusion and equality remains a challenge for both highly urban and highly rural places and coastal areas, particularly along the east coast from the North East to Essex and Kent, face the most significant challenges in relation to these measures and generally rank below average.

Creating sustainable growth matters and to achieve this national policy makers and local authorities need to do seven things:

- 1 Ensure that decisions are made on the basis of robust local evidence.
- 2 Focus on the transformational trends as well as the local enablers
- 3 Align investment decisions to support the creation of sustainable growth
- 4 Align new funding to support the creation of sustainable growth
- 5 Provide space for innovation and new approaches
- 6 Focus on place over organisation
- 7 Take a longer-term view

The online report is available here:

<https://www.grantthornton.co.uk/en/insights/sustainable-growth-index-how-does-your-place-score/>



# Institute for Fiscal Studies – English local government funding: trends and challenges in 2019 and beyond

The Institute for Fiscal Studies (IFS) has found “The 2010s have been a decade of major financial change for English local government. Not only have funding levels – and hence what councils can spend on local services – fallen significantly; major reforms to the funding system have seen an increasing emphasis on using funding to provide financial incentives for development via initiatives such as the Business Rates Retention Scheme (BRRS) and the New Homes Bonus (NHB).”

The IFS goes on to report “Looking ahead, increases in council tax and additional grant funding from central government mean a boost to funding next year – but what about the longer term, especially given plans for further changes to the funding system, including an expansion of the BRRS in 2021–22?”

This report, the first of what we hope will be an annual series of reports providing an up-to-date analysis of local government, does three things in this context. First, it looks in detail at councils’ revenues and spending, focusing on the trends and choices taken over the last decade. Second, it looks at the outlook for local government funding both in the short and longer term. And third, it looks at the impact of the BRRS and NHB on different councils’ funding so far, to see whether there are lessons to guide reforms to these policies.

The report focuses on those revenue sources and spending areas over which county, district and single-tier councils exercise real control. We therefore exclude spending on police, fire and rescue, national park and education services and the revenues specifically for these services. When looking at trends over time, we also exclude spending on and revenues specifically for public health, and make some adjustments to social care spending to make figures more comparable across years. Public health was only devolved to councils in 2013–14, and the way social care spending is organised has also changed, with councils receiving a growing pot of money from the NHS to help fund services.”

The IFS reports a number of key facts and figures, including

- 1) Cuts to funding from central government have led to a 17% fall in councils’ spending on local public services since 2009–10 – equal to 23% or nearly £300 per person.
- 2) Local government has become increasingly reliant on local taxes for revenues.
- 3) Councils’ spending is increasingly focused on social care services – now 57% of all service budgets.

The IFS report is available on their website below:

<https://www.ifs.org.uk/publications/14563>





Report to: **Audit Committee**  
Date: **6 February 2020**  
Title: **Actuarial Pension Position**  
Portfolio Area: **Cllr J Pearce – Budget Setting Process**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken: Council 13<sup>th</sup> February 2020

Author: **Lisa Buckle** Role: **Corporate Director for Strategic Finance (S151 Officer)**

Contact: Email: [lisa.buckle@swdevon.gov.uk](mailto:lisa.buckle@swdevon.gov.uk)

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## RECOMMENDATION

**It is RECOMMENDED that the Audit Committee note the results of the Triennial Revaluation of the Pension Fund as at 31<sup>st</sup> March 2019.**

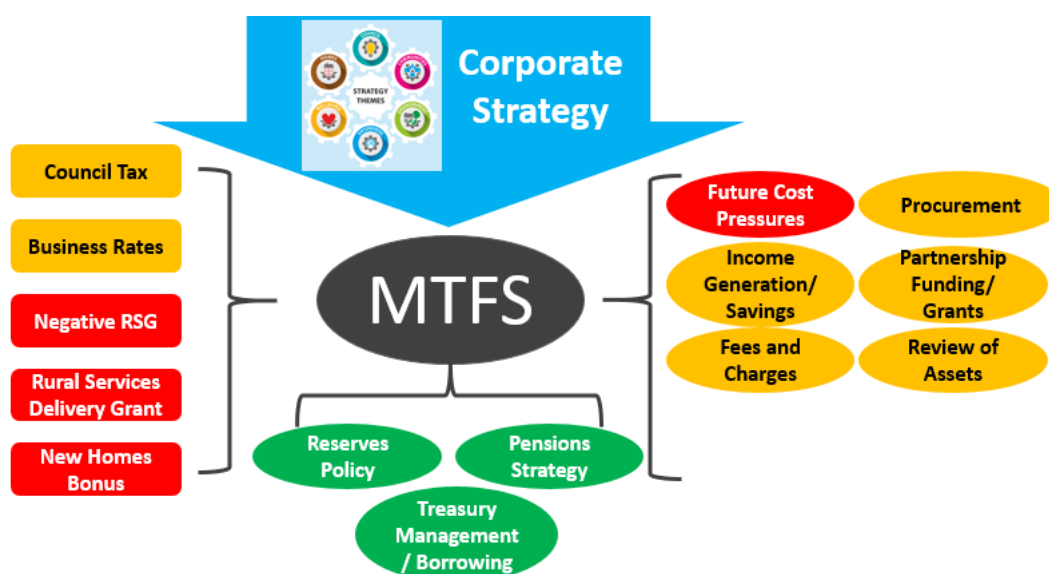
### **1. Executive summary**

- 1.1 Following the Triennial Pension Revaluation, the Council has been notified that it will have no actuarial pension deficit as at 31.3.2019, resulting in a saving of £200,000 per annum. There is now no need for the Council to pay any lump sum into the Pension Fund as SHDC's pension fund is in a small surplus position, as shown in 3.3.
- 1.2 The primary rate, the employer's pension contribution rate is increasing by 2.2% from 14.6% to 16.8% producing a cost pressure of £140,000 from 2020/21 until the next actuarial pension revaluation. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions. An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards.
- 1.3 The net budget impact of the Triennial Revaluation of the Pension Fund is a saving of £35,000 as set out in Section 3.6.

## 2 THE COMPONENTS MAKING UP A MEDIUM TERM FINANCIAL STRATEGY (MTFS)

- 2.1 The Diagram below sets out all of the component parts which constitute the make-up of a Medium Term Financial Strategy. Items in Green denote those elements where the Council has a large degree of control over the setting of policies and strategies. Items in Amber denote those components of the MTFS where the Council has a degree of control. Red items signal components where the Council has hardly any control over funding allocations which are decided by the Government and future cost pressures which can largely be outside of the Council's control or influence.

**Net Budget £8.8 million 2019/2020**



- 2.2 The Pensions Strategy is one of the 'green' component parts to the Medium Term Financial Strategy, as shown above.

## 3 PENSIONS STRATEGY (ACTUARIAL VALUATION)

- 3.1 The Council has taken specialist pension advice on the options for the Council's Pension position (informing the actuarial valuation), with the aim of reducing the current deficit contributions, increasing affordability, whilst best managing the pension deficit. Options were presented to the Council's Audit Committee on 31<sup>st</sup> January 2019 and this work has been progressed by the S151 Officer in accordance with the timetable for the Triennial Pension Revaluation. The S151 Officer attended an employers' meeting on 14<sup>th</sup> November and has received the results of the Triennial Revaluation of the Pension Fund.



3.2 The total pension contribution rates payable for employers consists of two elements, the primary rate and the secondary rate:

- **The primary rate** – this is the anticipated cost to the Council of the pension rights that members will accrue each year in the future. The primary rate, or future service rate is expressed as a percentage of pensionable payroll. The primary rate, the employer’s pension contribution rate is increasing by 2.2% for SHDC from 14.6% to 16.8% producing a cost pressure of £140,000 from 2020/21 until the next actuarial pension revaluation. The Devon Pension Fund in general is experiencing a 2% increase in the primary rate due to the change in financial assumptions.

An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards.

- **The secondary rate** – this arises where the cost of pension rights that have already been accrued turn out to be higher than expected, resulting in a deficit. This happens where the Fund experience differs from previous assumptions, and so the contributions paid do not match the cost of the pension rights accrued during a previous period. The secondary rate, or deficit recovery rate is set as a cash figure.

### 2019 Pension Actuarial Valuation result

3.3 The funding level and the movement in the Council’s pension position following the Triennial Pension Revaluation are shown below:

	<b>As at 31<sup>st</sup> March 2016 (£'000)</b>	<b>As at 31<sup>st</sup> March 2019 (£'000)</b>
Assets	78,440	97,607
Liabilities	82,291	96,570
(Deficit)	(3,851)	1,037
<b>Funding Level</b>	<b>95.3%</b>	<b>101.1%</b>

3.4 The Council will no longer have a pension actuarial deficit as at 31.03.2019, resulting in a saving of £200,000 per annum in employer secondary rate contributions. There is now no need for the Council to pay any lump sum into the Pension Fund as SHDC’s pension fund is in a small surplus position. The funding level and the movement in the Council’s pension position following the Triennial Pension Revaluation is shown in the table above. The table shows that the Council’s pension fund is 101.1% funded as at 31<sup>st</sup> March 2019, a small surplus position. Advice has been sought from the Actuaries in terms of whether the Council’s primary rate could be reduced given this small surplus.

- 3.5 However, the advice of the actuary is that this is only considered for employers where the surplus is 105% or more. This provides an allowance for experience going forward against the actuarial assumptions, with the aim of trying to make sure that employers who are 100% funded don't go back to a deficit position in future years.
- 3.6 A summary of all of the financial implications arising from the Pension Revaluation at 31.3.2019 is shown below:-

<b>Pension Revaluation 31.3.2019</b>	<b>Financial Impact</b>
<b>Increase in the primary rate -</b> i) the employer's pension contribution rate is increasing by 2.2% for SHDC from 14.6% to 16.8%	£140,000
ii) An allowance of an additional 2% (£25,000) for the pension contributions for the externalised waste contract has also been built in for 2020/21 onwards	£25,000
<b>Decrease in the secondary rate</b> iii) The Council will no longer have a pension actuarial deficit as at 31.03.2019, resulting in a saving of £200,000 per annum in employer secondary rate contributions.	(200,000)
<b>Overall saving from the Pension Revaluation at 31.3.2019</b>	<b>(35,000)</b>

Therefore the net budget impact is a saving of £35,000.

#### 4. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		The Executive is responsible for recommending to Council the budgetary framework. The Pensions Strategy falls within the Terms of Reference of the Audit Committee.
Financial implications to include reference to value for money		The net budget impact of the Triennial Revaluation of the Pension Fund is a saving of £35,000 as set out in Section 3.6.
Risk		The Actuarial Re-valuation of the Pension Fund takes risk into account as part of the process.
Supporting Corporate Strategy		The Budget report supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.

Climate Change - Carbon / Biodiversity Impact		A Climate Change Action Plan was presented to Council in December 2019.  The Pension Fund is administered by Devon County Council.
<b>Comprehensive Impact Assessment Implications</b>		
Equality and Diversity		The Pension Fund is administered by Devon County Council.
Safeguarding		None directly arising from this report.
Community Safety, Crime and Disorder		None directly arising from this report.
Health, Safety and Wellbeing		None directly arising from this report.
Other implications		None directly arising from this report.

### **Supporting Information**

#### **Background Papers:**

Executive – 19 December 2019 – Budget Proposals report for 2020/21  
Council 26 September 2019 – Medium Term Financial Strategy  
Audit Committee – 31st January 2019 – Pensions Strategy

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Report to: **Audit Committee**

Date: **6 February 2020**

Title: **Update on Progress on the 2019-20 Internal Audit Plan**

Portfolio Area: **Support Services – Cllr D May**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

Author: **Dominic Measures** Role: **Audit Manager**  
**Robert Hutchins** **Head of Partnership**

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[Robert.hutchins@swdevon.gov.uk](mailto:Robert.hutchins@swdevon.gov.uk) **01392 383000**

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## **RECOMMENDATION**

**It is RECOMMENDED that the progress made against the 2019/20 Internal Audit Plan, and any key issues arising are noted and approved.**

### **1. Executive Summary**

The purpose of this report is to inform members of the principal activities and findings of the Council's Internal Audit team for 2019/20 to 31 December 2019, by:

- Showing the progress made by Internal Audit against the 2019/20 annual internal audit plan, as approved by this Committee in March 2019; and
- Highlighting any revisions to the 2019/20 internal audit plan;

## **2. Background**

The Audit Committee, under its Terms of Reference contained in South Hams Council's Constitution, is required to consider the Chief Internal Auditor's audit reports, to monitor and review the internal audit programme and findings, and to monitor the progress and performance of Internal Audit.

The Accounts and Audit (Amendment) (England) Regulations 2015 require that all Authorities need to carry out an annual review of the effectiveness of their internal audit system, and need to incorporate the results of that review into their Annual Governance Statement (AGS), published with the annual Statement of Accounts.

The Internal Audit plan for 2019/20 was presented to and approved by the Audit Committee in March 2019. Progress in the period up to 31 December 2019 has been largely in line with expectations and included completion of work carried forward from 2018/19. There have been 6 days reported sickness absence (apportioned SHDC 4.5 days, WDBC 1.5 days) in the year to date.

In addition, the Council, in association with several partner organisations receive funding from the Rural Development Programme for England (RDPE) – Local Action 2015-2020 programme, with £1.5m awarded to the South Devon Coastal Local Action Group (LAG) and £2.0m to the Greater Dartmoor Local Enterprise Action Fund (LEAF). The Council, as the Accountable Body, is responsible for the legal and financial management of the grants awarded to the programmes. Each project is required to submit a grant claim on a quarterly or monthly frequency to draw down funding. 30 days were allocated to this work for the year in the 2019/20 Audit Plan. As at 31 December 2019, 26 days had been spent.

In response to the possible need for additional days on this grant work and the impact on the overall audit plan, it is proposed that, in consultation with the Section 151 Officer, the audit plan will be reviewed and adjusted where deemed appropriate and/or the purchase of additional audit days to cover any shortfall. Any amendments will be agreed by the Senior Leadership Team. It should be noted that the Council is able claim funding against officer time spent on administering the LAG and the LEAF and this can be used to provide some backfill to cover any additional days required.

The 2019/20 audit plan currently includes one audit that utilises additional Devon Audit Partnership resources. This is:

- a. Business Continuity within the Supply Chain Follow Up.

This audit is to be funded from officer time spent on and claimed against LAG and LEAF administration in this financial year.

### **3. Outcomes/outputs**

In carrying out systems and other reviews, Internal Audit assess whether key, and other controls are operating satisfactorily within the area under review, and an opinion on the adequacy of controls is provided to management as part of the audit report.

All final audit reports include an action plan which identifies responsible officers, and target dates to any address control issues or recommendations for efficiencies identified during each review. Implementation of action plans are reviewed during subsequent audits or as part of a specific follow-up process.

Overall, and based on work performed to date during 2019/20, Internal Audit is able to provide **substantial assurance** on the adequacy and effectiveness of the Authority's internal control environment. Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk. (please refer to Appendix B for definition)

We are pleased to report that progress against the agreed 2019/20 Internal Audit Plan is as expected. A number of audits have been completed, with draft and final reports issued. Fieldwork has been completed on a number of others and this work needs to be reviewed (quality assured) following which the draft report will be issued. Audits are planned for quarter 4 and planning for these reviews is underway. A summary of progress against the agreed joint internal audit plan for South Hams District Council and West Devon Borough Council is attached at **Appendix A**, and this provides the detailed position for each audit as at 31 December 2019.

The reporting of individual high and medium priority recommendations is set out at **Appendix B**. This is an ongoing part of the report to advise the Audit Committee, in detail, of significant findings since the last report and confirm that the agreed action has been implemented or what progress has been made.

**Appendix C** provides a summary of work where the planned work is complete but no audit report produced. This includes information with regards Non- Compliance with Contract or Financial Procedure Rules, and Fraud / Irregularity issues reported to Internal Audit during the reporting period.

### **4. Options available and consideration of risk**

No alternative operation has been considered as the failure to maintain an adequate and effective system of internal audit would contravene the Accounts and Audit Regulations, 2003, 2006, 2011 and 2015.

## 5. Proposed Way Forward

We continue to be flexible in our approach and with the timetabling of audits to ensure that resources are assigned to specific areas of the plan to enable our work to be delivered at the most effective time for the organisation.

## 6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance	Y	<p>The Accounts and Audit Regulations 2015 issued by the Secretary of State require every local authority to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards.</p> <p>The work of the internal audit service assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The service has a role in promoting robust service planning, performance monitoring and review throughout the organisation, together with ensuring compliance with the Council's statutory obligations.</p>
Financial	Y	There are no additional or new financial implications arising from this report. The cost of the internal audit team is in line with budget expectations.
Risk	Y	The work of the internal audit service is an intrinsic element of the Council's overall corporate governance, risk management and internal control framework.
Supporting Corporate Strategy	Y	This Progress Report and the work of Internal; Audit supports all six of the Corporate Themes of Council, Homes, Enterprise, Communities, Environment and Wellbeing.
Climate Change – Carbon / Biodiversity Impact	Y	None directly arising from this report. However, the Internal Audit function, managed by Devon Audit Partnership is very mindful of the need to minimise travel in completing the internal audit plan. Where possible, desk-top review of documents, and the use of electronic records, is used to obtain evidence to support the audit process, although it is inevitable that on-site verification may be required at times.



		The team use an audit management system (Mki) which enables managerial review to take place remotely, thus also saving on the need for travel.
Comprehensive Impact Assessment Implications		
Equality and Diversity	N	There are no specific equality and diversity issues arising from this report.
Safeguarding	N	There are no specific safeguarding issues arising from this report.
Community Safety, Crime and Disorder	N	There are no specific community safety, crime and disorder issues arising from this report.
Health, Safety and Wellbeing	N	There are no specific health, safety and wellbeing issues arising from this report.
Other implications	N	There are no other specific implications arising from this report.

### **Supporting Information**

#### **Appendices:**

There are three separate appendices to this report; Appendix A, B, and C.

#### **Background Papers:**

Annual Internal Audit Plan 2019/20 as approved by the Audit Committee on 21 March 2019.

■ Status as reported in previous Progress Reports    ✓ Change to Status between 4<sup>th</sup> Oct & 31<sup>st</sup> Dec 2019

**Appendix A**

Summary of progress against agreed internal audit plan 2019/20 for **South Hams District Council** & West Devon Borough Council

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>Work Carried forward from 2018/19</b>										
Cyber Security (carry forward from 18/19)		■	■							
GDPR (carry forward from 18/19)		■	■							
<b>2019/20 Plan</b>										
<b>MAIN FINANCIAL SYSTEMS</b>										
Main Accounting System (inc budgetary control)	20	■	✓							Fieldwork commenced
Creditor (Payments)	15									
Debtors (Income Collection)	15									
Payroll	15									
Business Rates	15	✓								Fieldwork complete, awaiting review by Audit Manager
Council Tax	15	✓								
Housing Benefits	15									
Treasury Management	10									
<b>Main Financial Systems</b>	<b>120</b>									

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>COMMERCIAL SERVICES</b>										
Salcombe Harbour (S.Hams)	10									
Contract Management – Waste Collection and Street Cleansing Contract	10	■	■	✓	✓		✓			Final report issued. Summary in Appendix B below.
Car Parks – PCN and Appeals Process	10	■	■	■	■			■		Summary presented to Audit Committee in November 2019
Dartmouth Lower Ferry (S.Hams)	8	■	✓	✓	✓			✓		Final report issued. Summary in Appendix B below.
Environmental Services – Enforcement Process (Fly Tipping, Abandoned Vehicles etc) – Follow-Up	3	■	✓							
Grounds Maintenance Operations (inc control of bedding plants) – Follow Up	3									
Grounds Maintenance & Car Parking Permits – invoicing of external clients (S Hams)	5	✓	✓							Additional request by SHDC members. Assurance required that all invoicing takes place as expected.
Depots & Stores Follow-Up (S.Hams)	3	■	✓							
<b>Commercial Services</b>	<b>52</b>									Planned days increased by 5 days re Grounds Maintenance invoicing

■ Status as reported in previous Progress Reports    ✓ Change to Status between 4<sup>th</sup> Oct & 31<sup>st</sup> Dec 2019

**Appendix A**

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>CUSTOMER FIRST</b>										
Planning (Applications) – Follow-Up	5	■	■	■	■		■			Summary presented to Audit Committee in November 2019
Use of Social Media	5	■	■	■	■		■			Summary presented to Audit Committee in November 2019
Section 106 agreements (follow up)	5	■	✓							
Commercial Property & Rents (Tenancies, Reviews, Collection)	10	■	✓							
Duplicate Data Entry and Processes	5									Audit postponed. Time used for Grounds Maintenance review of invoicing- SHDC (see above)
<b>Customer First</b>	<b>25</b>									Original plan was 30 days. 5 days removed for Duplicate Data Entry resulting in revised plan of 25 days

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>STRATEGY &amp; COMMISSIONING</b>										
Project Management – Governance & Process	15									Possible deferment to 2020-21
Performance Management (KPI's & data quality) (deferred from 17/18)	15									
Change Control – Business Processes	10									
Contract Management – ICT Contracts	7									
Peer Review Action Plan	5	■								On-going work throughout the year
Risk Management Follow-Up	5	Deferred								Deferred until 2020-21 with agreement from Director – Governance and Assurance
Contract Management Strategy and Process – Follow-Up	5									
Business Continuity within the Supply Chain – Follow-Up	3									
Health & Safety Further Follow-Up	3	■	■	■	■			■		Summary presented to Audit Committee in November 2019
<b>Strategy and Commissioning</b>	<b>68</b>									

■ Status as reported in previous Progress Reports    ✓ Change to Status between 4<sup>th</sup> Oct & 31<sup>st</sup> Dec 2019

**Appendix A**

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>SUPPORT SERVICES</b>										
ICT Audit - Use of Email and Internet	25									
ICT Audit – Change Management Follow-up		■	■	■	■			■		Summary presented to Audit Committee in November 2019
ICT Audit - Asset Control - Follow-Up		■	✓							
Corporate Information Management (Data Protection)	15									
Capital Expenditure and Receipts	10	■	■	■	■			■		Summary presented to Audit Committee in November 2019
Insurance – Review of Cover	8	■	✓	✓	✓			✓		Final report issued. Summary in Appendix B below.
Online Payments	7									
Employment / Recruitment Checks / Leavers Process	7									Will be incorporated into Payroll Audit

■ Status as reported in previous Progress Reports    ✓ Change to Status between 4<sup>th</sup> Oct & 31<sup>st</sup> Dec 2019

**Appendix A**

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
Elections – Post May Election Review	5									
V.A.T. – Sample Check Income Transactions	5	✓								
Recharging – test of re-charge calculations	5	■	■							
Business Continuity Follow-Up (inc BCP exercises)	5	■	✓	✓	✓			✓		Final report issued. Summary in Appendix B below.
Comments and Complaints – Follow-Up	5	■	✓	✓	✓		✓			Final report issued. Summary in Appendix B below.
Purchasing Cards	0	✓	✓							Request by Section 151 Officer following issues raised at DAP Audit Member training.
<b>Support Services</b>	<b>95</b>									

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Final	Opinion				Comments
						High Standard	Good Standard	Improvements Required	Fundamental Weaknesses	
<b>OTHER ESSENTIAL ITEMS</b>										
Audit Management including:- - Audit planning, - Monitoring & reporting, - Audit Committee	28	■	-	-	-	-	-	-	-	Includes attendance at Audit Committee – Annual Report presented to Audit Committee on 20th June 2019,
Annual Governance Statement	2	-	-	-	-	-	-	-	-	Review of the Code of Corporate Governance presented to June 2019 Audit Committee under separate cover
Exemptions from Financial Regulations	5	■								
Grants - Greater Dartmoor Local Enterprise Action Fund (LEAF) & South Devon Coastal Action Group (LAG)	30	■	-	-	-	-	-	-	-	26 days spent on claims to date.
Contingency & Advice	5	■	-	-	-	-	-	-	-	
<b>OTHER ESSENTIAL ITEMS</b>	<b>70</b>									
<b>Total Days</b>	<b>430</b>									



## Summary of Internal Audit Findings 2019/20 – Final Reports

As at 31 December 2019, 11 final reports have been issued in respect of 2019/20 work. The conclusions from final reports issued since the last Audit Committee in October 2019, are summarised below.

Subject	Audit Findings	Management Response
<b>2019/20 Audit Plan</b>		
<p>Contract Management - Waste Collection and Street Cleansing Contract</p>	<p><b>High Standard</b></p> <p>Our audit assessment was completed during the early implementation of the contract and based on an assessment of the expected processes and procedures.</p> <p>Using various systems and processes, the Councils undertake their duties with regard to managing the Waste Contract, with the Waste Commissioning Manager (JS) overseeing the implementation of the contract and is the responsible owner. Contract governance is spread across a number of services and include both members and officers. This requires contractor involvement and continued communication, much of which had been established during previous work with West Devon Borough Council. The contract management and performance is completed through a number of boards and working groups, including;</p> <ul style="list-style-type: none"> <li>• Partnership Board;</li> <li>• Operational meetings;</li> <li>• Client and Contractor meetings;</li> <li>• Waste Working Groups;</li> <li>• Member engagement and report to council; and</li> <li>• Devon wide waste groups.</li> </ul> <p>Contract management training was held in July 2019 and the waste officers involved in the management of the waste contract attended. Suitable experienced officers are employed to oversee the waste contract; these are predominately the same officers who were involved in the tendering and award of the contract. The exception is the Commercial</p>	

Subject	Audit Findings	Management Response
	<p>Services Group Manager who left the Councils shortly after the awarding of the contract.</p> <p>Robust procedures are in place for the monitoring of performance and payment of invoices. Officers are aware of the requirements to record any significant changes and related documentation will be retained if required.</p> <p>Officers have produced a project plan detailing the key requirements and trigger points during the course of the implementation phase and beyond. Key tasks have been allocated to relevant officers, with suitable support to provide cover and assurance. An operational timetable is in place to ensure that key points are met and discussed with the contractor during planned meetings.</p> <p>A central filing system is in place to record the key waste contract documents and meeting notes and this is accessible by the officers involved in the contract.</p> <p>Contractor payments are determined by the Councils based on the Waste Contract Pricing Schedules submitted during the tender submission. The Councils will receive a monthly invoice from the contractor that includes the services associated with the duties of waste and recycling, street cleansing and toilet cleaning. These invoices will include routine charges along with other non-routine and day-work rates for activities such as special events or the delivery of promotional material.</p> <p>The relevant officers responsible for managing the contract have provided Audit with assurance that they are able to identify and manage the risks and are undertaking regular meetings with the contractor and all of the parties associated with the contract.</p> <p>For such a large and diverse contract, reliance is placed on the contractor to deliver the services required under the terms of the contract and the Councils need to continue monitoring the activities to ensure that they are in agreement with the contract. Training has been given to the officers who will be monitoring the contract performance and a period of assessment has been conducted to evaluate, standardise and benchmark the results.</p>	

Subject	Audit Findings	Management Response
	<p>The weaknesses and potential issues highlighted during the audit review are summarised below;</p> <ol style="list-style-type: none"> <li>1. There is the potential financial and operational risk to the Contract should there be delays in the implementation of the construction of the Ivybridge Transfer Station or if it is not delivered as expected;</li> <li>2. There is the risk to the Council if the costs of the construction of the Transfer Station are not in line with the approved budget; and</li> <li>3. There is a need to ensure that implementation of the IT customer interface (Whitespace work software) is delivered promptly, that it is operating effectively and that data is appropriately shared.</li> </ol>	<ol style="list-style-type: none"> <li>1. Plans are progressing on formalising the Ivybridge Transfer Station contract and once this is concluded we will have a better idea on the quantifiable aspects of the project and impact on the Waste Contract.</li> <li>2. The transfer station project and contract can only provide a certain level of assurance to that already agreed in the Waste Contract. We are still planning to deliver the transfer station project in the expected timeframes and approved expenditure costs to the operating specification.</li> <li>3. The implementation of the IT customer interface has been delayed due to the software suppliers not being able to meet our specification and the contractor has used a new third party to implement the solution which will provide a better product.</li> </ol> <p>The system is still operating normally for customers and the delay has not affected customer service. The delayed early implementation was due to technical issues and to ensure the process is working correctly.</p> <p>As at 3rd January 2020, progress with the ICT software implementation has been as follows:</p> <p>Phase 1 – Missed collections and find my collection day – Successfully implemented in SH and WD</p> <p>Phase 2 – Order a new container/bin – successfully implemented in WD. We have held off implementing in SH's as the service is changing drastically in Sept so didn't make sense to pay twice to build one now and one for the new service when what we currently have works.</p> <p>Phase 3 – Clinical collections, assisted collections, bulky collection etc - Specification has been submitted to</p>

Subject	Audit Findings	Management Response
		<p>Milestones (FCC web developer) and is being built. Timescales for testing should be set out soon, with the first meeting after the festive break scheduled.</p> <p>Waste working groups have been updated regularly on this project.</p>
<p>Dartmouth Lower Ferry</p>	<p><b>Good Standard</b></p> <p>Ferry Management have undertaken considerable steps to improve processes and the introduction of the new eHarbour system will potentially advance the required controls. However, existing system procedures and controls need to be further modified and improved to ensure that processes can continue to operate at a good standard or above.</p> <p>It is imperative that the process for invoicing fleet card users is implemented as a priority; there is the added risk that companies will not pay for their use to date. At the time of the audit the Council was waiting for eHarbours to update the system with the relevant company addresses and details with regard to fleet card use.</p> <ol style="list-style-type: none"> <li>1. At the time of the audit, Companies had not been invoiced for the use of fleet cards since April 2019, this will be income in excess of £5,000; and</li> <li>2. No Council services had been recharged for the use of the ferry.</li> </ol> <p>Our review also found that the current ferry software system, although providing a good basis for the recording of ferry transactions, could not produce reports with complete management information. Bankings can now be independently verified to the eHarbour system and bank reconciliations, but the system would be further improved with the introduction of;</p> <ol style="list-style-type: none"> <li>3. The ability to input adjustments direct to the system;</li> </ol>	<ol style="list-style-type: none"> <li>1. This has now started, and companies are being invoiced for crossings and income due. We are working with Support Services to ensure that this process will operate correctly and income is processed and allocated to the ledger correctly.</li> <li>2. We are now recording crossings made by other Council services and preparing to recharge the relevant service.</li> <li>3. Agreed, the ability to input adjustments direct is something that we are trying to progress and it will be discussed with the Head of Maritime (CSS) and raised again with eHarbours.</li> <li>4. The level of variances has improved in the last twelve months and ferry operatives are more aware of ensuring</li> </ol>

Subject	Audit Findings	Management Response
	<p>4. Reporting of individual operator variances;</p> <p>5. Improved management reports, including balancing of income reports, reconciliation to the general ledger and identification of the reason for the difference in values between current reports.</p> <p>6. A separate electronic bank reference to identify the ferry, rather than Salcombe Harbour.</p> <p>Predominately only one officer undertakes the reconciliation of income and banking, although sometimes there might be another officer present in the office, and there is now the ability to agree bankings direct to the Bank Report on eHarbours. It should be noted that for Fidelity Guarantee Cover, loss of money or property sustained as a direct result of acts of fraud, theft or dishonesty by an employee, insurers usually expect dual control and independent validation to be in operation. Additional controls could be improved by ensuring;</p> <p>7. That two officers are always present and evidence the banking;</p> <p>8. That the banking is completed prior to access to the eHarbour system; and/or</p> <p>9. An independent officer reviews the income, banking, reconciliation and daily under overs and that evidence is maintained of this review.</p>	<p>accurate recording of transactions.</p> <p>5. We are reviewing reports and are able to use those currently available but have had difficulty obtaining updates from eHarbours and hope this will improve in the coming months. The discrepancies between reports have also been identified by the Case Manager Support Services (SW), during her reconciliations, and she is awaiting changes in the merchant number, to investigate the variances further, and will be raising any issues with eHarbours.</p> <p>6. A ferry merchant number was implemented in November 2019.</p> <p>7. For the majority of days, the Team Leader Commercial Services (LT) is present in the Ferry Office and does supervise the banking process.</p> <p>8 &amp; 9. The Team Leader Commercial Services (LT) will undertake spot checks to review income and banking records.</p>
<p>Insurance – Review of Cover</p>	<p><b>Improvements Required</b></p> <p>The insurance cover held by the Councils appears to be largely in line with that recommended by insurance providers, including the Local Government Mutual who may be considered to be unbiased as not seeking to make a commercial return. There is some degree of review of the level of insurance cover each year, as well as those items and activities insured.</p> <p>However, we have made a number of recommendations, which may</p>	<p>1. Agreed. The existing broker will be approached to ascertain whether or not they can provide detailed affordable advice on appropriate insurance cover.</p> <p>2. Agreed. As part of any external advice, the appropriateness of cover will be examined.</p> <p>It will be explored whether or not there is any economic</p>

Subject	Audit Findings	Management Response
	<p>contribute to the more effective management of insurance, including:</p> <ol style="list-style-type: none"> <li>1. Seeking impartial external advice to make a review of the Councils' insurance arrangements;</li> <li>2. Ensuring that only appropriate property, activities or services are covered as required;</li> <li>3. Ensuring that the value of each type of insurance cover is appropriate and only to the level required, e.g. for property and documents in transit;</li> <li>4. Strengthening the links to the risk management process, to ensure that insurance cover is considered for all new or changed risks;</li> <li>5. Consideration of alternative external insurance providers, other than commercial organisations; and</li> <li>6. Putting an insurance strategy in place, which sets out the Councils' approach to external and self- insurance, as well as links to the risk management process.</li> </ol>	<p>benefit to having a Cyber policy in place. The matter will be discussed at the Information Compliance Group.</p> <p>The need for Professional Indemnity insurance cover for certain aspects of chargeable planning advice such as Fast Track Applications and Planning Performance Agreements will be discussed with both the broker and the Head of Development Management Practice (PW)</p> <p>The need for cover in the event of the Councils being held liable, should an accident occur on a play area which has been inspected by Council officers, will be explored with the broker. If recommended, cover will be put in place immediately.</p> <p>3. Agreed. In terms of documents in transit, the insured value for WDBC is so much higher as all post is transferred from Kilworthy House to Follaton House for processing. However, many documents are now received or transferred electronically and so the level of cover will be reviewed.</p> <p>For Contract works cover, which may be required by each Council, the value of cover to be reviewed by officers when the insurance contract is next renewed.</p> <p>For IT related risks, the level of cover held and what items need to be insured will be reviewed. It is likely that lower value items such as laptops, which in any case fall below the excess value, will be removed.</p> <p>4. Agreed. Advice has been provided by the Devon Audit Partnership with respect to the Councils' approach to risk management. Whilst the Risk Management and Opportunities Policy is felt to be satisfactory, it was identified that there is no rigour in how risk is managed, or how identified risks and opportunities are taken from strategic to operational level and vice versa.</p>

Subject	Audit Findings	Management Response
		<p>Going forwards, Heads of Practice are to take greater responsibility for risk management within their Practice and this, as well as consideration of related insurance requirements, should form part of day to day processes.</p> <p>5. Agreed. Having had initial discussions with the LG Mutual, there is now a need to undertake an initial review of what the Councils might choose to insure and how, before discussions are progressed any further.</p> <p>6. Agreed. A strategy will be written prior to the completion of the review of insurance requirements, in order to help inform this exercise, with any amendments being made as necessary based on the findings of the review.</p>
<p>Business Continuity Follow-Up (inc BCP exercises)</p>	<p>Our previous audit opinion was one of <b>Fundamental Weaknesses</b>. Our review of 2019/20 confirms that some improvements have been made, the most important being that operational Business Continuity Plans are now in place, with on-going work timetabled throughout the coming months. We have therefore amended our audit opinion to <b>“Improvements Required”</b>.</p> <p>At the time of our 2015/16 audit, it was anticipated that Devon County Council (DCC) would be providing a lead role in developing business continuity arrangements on behalf of members of the Devon Emergency Planning Service (DEPS) partnership. However, DCC was subsequently unable to offer such a comprehensive service as it is doing for emergency planning. Some technical support is provided, but otherwise the district and borough councils continue to be responsible for ensuring that they have satisfactory arrangements in place to allow them to meet their legal duties under the Civil Contingencies Act (CAA) 2004.</p> <p>Because of this, and other work pressures on relevant officers, the initial development of effective business continuity arrangements was delayed. A Business Continuity Management Strategy and associated Work Programme was approved by Members in early 2019. This, along with an Action Plan drawn up by the Head of Environmental Health Practice (IL),</p>	<p>1. Agreed. Whilst Business Continuity Plans have now been completed by all Heads of Practice, the Plans need to be tested as part of the BC lifecycle, to ensure that they are suitable and sufficient. A full scale exercise test, set up with the assistance of DEPS, needs to be arranged.</p> <p>There is still a need to test the operational Business Continuity Plans, to ensure that information and data has been appropriately prioritised, allowing them to be supported by the ICT Recovery Plan.</p> <p>Revised timescales and responsibilities have been identified, to allow the delivery of the Work Programme and adherence to the Strategy.</p> <p>The Business Manager - Specialists, once appointed, and the Heads of Practice will be required to review their Business Continuity Plans, to confirm that the necessary supporting documents are in place.</p> <p>DEPS are to be asked to coordinate further validation exercises once staff resource is no longer having to be</p>

Subject	Audit Findings	Management Response
	<p>was intended to address many of the recommendations which we have made over the last few years. However, implementation has been delayed by the fact that officers from both DEPS, who were to provide some assistance, and from SHDC and WDBC, have been diverted onto matters relating to Brexit over the past year.</p> <p>A key achievement is that members of ELT have now written operational Business Continuity Plans and have also subsequently been required to review these in order to identify any potential issues that might arise as a result of Brexit, whether this be due to direct impacts on the Councils, or those on suppliers and other third parties.</p> <p>Although operational Business Continuity Plans have been written, they have yet to be validated through testing. However, the Director of Governance and Assurance (DP) is comfortable that this, as their production, along with an increased awareness of business continuity on the part of Heads of Practice, is felt to have reduced the risk of unpreparedness which was being carried at the time of our previous review.</p> <p>The Business Continuity Management Strategy, associated Work Programme and Action Plan appear to provide assurance that the majority of key controls will be in place over business continuity arrangements in the future, but in the meantime there is still some important work to be completed, the most significant of which includes:</p> <ol style="list-style-type: none"> <li>1. Validation of the operational Business Continuity Plans written by members of ELT; and</li> <li>2. Ensuring that relevant officers continue to receive appropriate training and experience.</li> </ol>	<p>diverted to Brexit matters. Arrangements will be made for validation exercises to be carried out in 2020.</p> <p>It will be ensured that all functions of the Councils are adequately covered by the operational Business Continuity Plans as part of the planned validation exercise and as part of that exercise, it will be ensured that each Plan meets the relevant guidance in terms of content.</p> <p>With regard contractors (and, if necessary, sub-contractors), or other third parties delivering essential services on behalf of the Councils, Heads of Practice will be reminded of the need to review contracts for their business areas and to ensure that appropriate business continuity arrangements are in place and evidenced. A proportionate approach, dependent on the scale of the contract, will be developed, with the most significant contracts being prioritised for review.</p> <ol style="list-style-type: none"> <li>2. Agreed. Business continuity awareness needs to form part of an annual review process of the Plans, linking to validation exercises as a means of promoting the subject in a more engaging style.</li> </ol> <p>Under the ELT restructure, Heads of Practice now have greater responsibility for business continuity within their areas. This, combined with a campaign of awareness raising, referred to above, should serve to ensure that officers are notified of any relevant amendments to Business Continuity Plans.</p> <p>With regard the on-going training of officers, a 'Crisis Communications' training event, to be delivered by DEPS, has been delayed by the need to divert resource to Brexit matters. However, this and other appropriate training will be taken advantage of when it becomes available post-Brexit.</p>



Subject	Audit Findings	Management Response
<p>Comments and Complaints Follow Up</p>	<p>Our original audit opinion was one of <b>Improvements Required</b>. However, following the completion of our follow up work, our audit opinion has been revised upwards to <b>Good Standard</b></p> <p>Our review of 2019/20 has confirmed that a number of improvements have been made to the complaints system since 2018/19. A reduction in the number of Stage 1 complaints received may be attributed to two main causes:</p> <ul style="list-style-type: none"> <li>• Waste and Recycling staff undertook extensive process reviews and implemented many changes in the months prior to the start of the new waste contract on 01 April 2019; and</li> <li>• There have been improvements to the information provided by the Development Management team, for example, status updates are now published for each application on the Councils' websites.</li> </ul> <p>However, whilst adjustments have been made and training has been provided to most customer-facing officers, there remain several areas where further improvements could be made, to improve the efficiency of handling complaints, as well as enabling the Councils to learn more effectively from those complaints received, including:</p> <ol style="list-style-type: none"> <li>1. Arrange for regular managerial review of those complaints which remain open after more than 30 days;</li> <li>2. Ensure that where a response cannot be provided within 30 days, that the customer is advised of the reasons for this and given a revised target response date;</li> <li>3. Remind officers dealing with complaints to record the correct case status on W360, the rebranded version of Civica's W2 Customer Relationship Management (CRM) system; and</li> </ol>	<ol style="list-style-type: none"> <li>1. Agreed. The complaints process needs to be reviewed in its entirety, to ensure that responses to complaints are prioritised and speeded up, in order to avoid failure demand and increased customer contact.</li> </ol> <p>The new workflow system should allow:</p> <ul style="list-style-type: none"> <li>• Automated updates to be sent to customers, based on actions made to a case by staff. This could be used to advise complainants that their case is being worked on, even if a final response has not yet been issued etc.</li> <li>• Automated actions to be readily set, for example, once a final letter has been issued to a complainant, the case can be set to automatically close after a further thirty days.</li> </ul> <ol style="list-style-type: none"> <li>2. Agreed. The new workflow system should assist with this. It will be possible to set automated reminders that are emailed directly to the responsible owner who owns a case. These can be used to remind officers of impending response deadlines and to contact the customer if this cannot be met.</li> <li>3. Agreed. The workflow system selected to replace W360 has a much clearer and more consistent approach and so it will be possible to review and adapt the process for managing Stage 1 complaints to ensure that officers are correctly updating the status of each complaint. It will be arranged for the individual cases highlighted to be updated.</li> <li>4. Agreed. There is a reasonable process in place for monitoring lessons learned from complaints to the Ombudsman, but less so for Stage 1 and Stage 2 complaints.</li> </ol> <p>The entire process for identifying and monitoring the</p>

<b>Subject</b>	<b>Audit Findings</b>	<b>Management Response</b>
	4. Ensure that 'lessons learned' from complaints are recorded, and revised processes identified and implemented where appropriate.	implementation of lessons learned is to be reviewed.

## Definitions of Audit Assignment Assurance Opinion Levels

### High Standard

The system and controls in place adequately mitigate exposure to the risks identified. The system is being adhered to and substantial reliance can be placed upon the procedures in place. We have made only minor recommendations aimed at further enhancing already sound procedures.

### Good Standard

The systems and controls generally mitigate the risk identified but a few weaknesses have been identified and / or mitigating controls may not be fully applied. There are no significant matters arising from the audit and the recommendations made serve to strengthen what are mainly reliable procedures.

### Improvements Required

In our opinion there are a number of instances where controls and procedures do not adequately mitigate the risks identified. Existing procedures need to be improved in order to ensure that they are fully reliable. Recommendations have been made to ensure that organisational objectives are not put at risk.

### Fundamental Weaknesses Identified

The risks identified are not being controlled and there is an increased likelihood that risks could occur. The matters arising from the audit are sufficiently significant to place doubt on the reliability of the procedures reviewed, to an extent that the objectives and / or resources of the Council may be at risk, and the ability to deliver the service may be adversely affected. Implementation of the recommendations made is a priority.

## Definitions of Overall Organisational Assurance Opinion Levels

Full Assurance	Risk management arrangements are properly established, effective and fully embedded, aligned to the risk appetite of the organisation. The systems and control framework mitigate exposure to risks identified & are being consistently applied in the areas reviewed.	Limited Assurance	Inadequate risk management arrangements and weaknesses in design, and / or inconsistent application of controls put the achievement of the organisation's objectives at risk in a number of areas reviewed.
Substantial Assurance	Risk management and the system of internal control are generally sound and designed to meet the organisation's objectives. However, some weaknesses in design and / or inconsistent application of controls do not mitigate all risks identified, putting the achievement of particular objectives at risk.	No Assurance	Risks are not mitigated and weaknesses in control, and /or consistent non-compliance with controls could result / has resulted in failure to achieve the organisation's objectives in the areas reviewed, to the extent that the resources of the Council may be at risk, and the ability to deliver the services may be adversely affected.

## Planned Audit 2019/20 – Work Complete (No Audit Report)

Subject	Comments
<b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b>	<p>Included within the Internal Audit Annual Report presented to the June Audit Committee was the internal audit opinion providing assurance that the Council's systems contain a satisfactory level of internal control.</p> <p>In addition, there is a requirement for the Council to prepare an AGS statement. Internal Audit provided support and challenge, as appropriate, to the Senior Leadership Team as they drafted the statement in respect of the 2018/19 financial year. The S151 Officer presented the 2018/19 AGS to the Audit Committee on 20 June 2019.</p>
<b>Exemptions to Financial Procedure Rules</b>	<p>5 applications for Contract / Financial Procedure Rules have been received in the year to date, all were accepted.</p>
<b>Fraud / Irregularity</b>	<p>There have been no irregularities to report.</p>

## Proposed Committee Workplan for the 2019/20 Financial Year

<b>Meeting Date:</b>	<b>Agenda Items:</b>
26 March 2020	<ul style="list-style-type: none"><li>i) Grant Thornton – Interim Audit Report 2019/20;</li><li>ii) Grant Thornton Update report;</li><li>iii) Treasury Management update;</li><li>iv) 2020/21 Internal Audit Plan;</li><li>v) Draft Budget Book 2020/21;</li><li>vi) Cost Methodology for Shared Services 2019/20;</li><li>vii) Annual Review of Council Constitution;</li><li>viii) Update on Progress on the 2019/20 Internal Audit Plan;</li><li>ix) Strategic Risk and Opportunity Register Review; and</li><li>x) Six monthly update – Strategic Debt review.</li></ul>

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