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SOUTH HAMS AUDIT COMMITTEE - THURSDAY, 12TH MARCH, 2015

Agenda, Reports and Minutes for the meeting

Agenda No Item

1. **Agenda Letter** (Pages 1 - 2)

2. **Reports**

Reports to Audit:

- a) Item 5 - Audit Committee Update - Report of Grant Thornton (Pages 3 - 18)
- b) Item 6 - The Audit Plan for South Hams District Council (Pages 19 - 38)
- c) Item 7 - Certification Work for South Hams District Council for Year Ended 31 March 2014 (Pages 39 - 42)
- d) Item 8 - Internal Audit - Revision of and Progress Against the 2014/15 Plan (Pages 43 - 58)
- e) Item 9 - Three Year Internal Audit Plan 2015/16 to 2017/18 and Annual Internal Audit Plan - 2015/16 (Pages 59 - 74)
- f) Item 10 - Internal Audit: Charter & Strategy - 2015/16 (Pages 75 - 98)
- g) Item 11 - Annual Review of the Council's Constitution (Pages 99 - 102)
- h) Item 12 - Update on Indicators from the Audit Commission's Value for Money Profile Tool (Pages 103 - 110)

3. **Minutes** (Pages 111 - 116)

Agenda Item 1

Please reply to: Darryl White
Service: Corporate Services
Direct Telephone: 01803 861247
E-Mail: darryl.white@southhams.gov.uk

To: Chairman & Members of the Audit Committee
(Cllrs Bramble, Bruce-Spencer, Gorman, Jones and Pennington);

Our Ref: CS/DW

cc: Cllr Ward (lead Executive Member for Support Services)
Remainder of the Council;
Usual press and officer circulation.

4 March 2015

Dear Councillor

A meeting of the **Audit Committee** will be held in the **Cary Room**, Follaton House, Plymouth Road, Totnes, on **Thursday, 12 March 2015 at 10.00 am** when your attendance is requested.

Yours sincerely

Darryl White
Democratic Services Manager

<p>FOR ANY QUERIES ON THIS AGENDA PLEASE CONTACT DARRYL WHITE DEMOCRATIC SERVICES MANAGER ON DIRECT LINE 01803 861247</p>
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A G E N D A

1. **Minutes** – to approve as a correct record and authorise the Chairman to sign the minutes of the Audit Committee held on 8 January 2015 (pages 1 to 7);
2. **Urgent Business** - brought forward at the discretion of the Chairman;
3. **Division of Agenda** - to consider whether the discussion of any item of business is likely to lead to the disclosure of exempt information;
4. **Declarations of Interest** - 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;
5. **Audit Committee Update – Report of Grant Thornton** – to consider a report that provides the Committee with a report from Grant Thornton on progress in delivering their responsibilities to the Council (pages 8 to 23);
6. **The Audit Plan for South Hams District Council** – to consider a report that presents the Audit Plan for the Council from Grant Thornton (pages 24 to 42);

7. **Certification Work for South Hams District Council for Year Ended 31 March 2014** – to consider the certification work for 31 March 2014, as published by Grant Thornton (pages 43 to 45);
 8. **Internal Audit – Revision of and Progress Against the 2014/15 Plan** – to consider a report that seeks to inform Members of the principal activities and findings of the Council's Internal Audit team for 2014/15 to the end of January 2015 (pages 46 to 61);
 9. **Three Year Internal Audit Plan 2015/16 to 2017/18 and Annual Internal Audit Plan – 2015/16** – to consider a report that provides Members with the opportunity to review and comment upon the proposed internal audit plan for the coming three years and the proposed annual internal audit plan for 2015/16 (pages 62 to 76);
 10. **Internal Audit: Charter & Strategy – 2015/16** – to consider a report that allows the Committee to review and comment upon the Internal Audit Charter and Strategy for 2015/16 (pages 77 to 99);
 11. **Annual Review of the Council's Constitution** – to consider a report that presents the Annual Review of the Council Constitution (pages 100 to 103);
 12. **Update on Indicators from the Audit Commission's Value for Money Profile Tool** – to consider a report that updates Members on the latest indicators available from the Commission's Value for Money Profile Tool (pages 104 to 109).
- 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 Member Services in advance of the meeting if they require any information of a legal or financial nature.

* * * * *

MEMBERS ARE REQUESTED TO SIGN THE ATTENDANCE REGISTER

THIS AGENDA HAS BEEN PRINTED ON ENVIRONMENTALLY FRIENDLY PAPER

If you or someone you know would like this publication in a different format, such as large print or a language other than English, please call Darryl White on 01803 861247 or by email at: darryl.white@southhams.gov.uk

Members of the public may wish to note that the Council's meeting rooms are accessible by wheelchairs and have a loop induction hearing system

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South Hams District Council Audit Committee Update

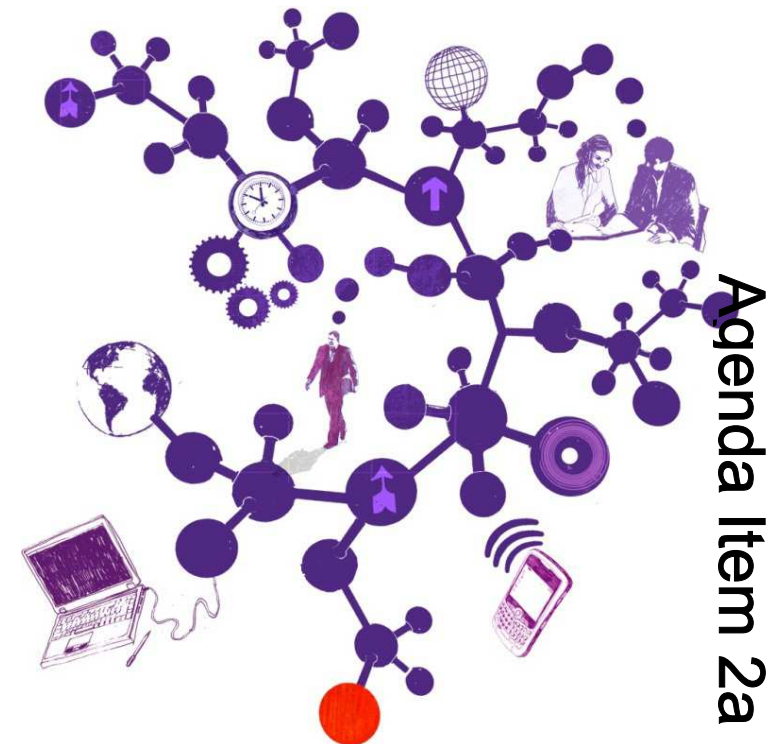
Year ended 31 March 2014

12 March 2015

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Agenda Item 2a

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

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Introduction

This paper provides the Audit 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; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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

- All aboard: Local Government Governance review 2015
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Pulling together the Better Care Fund
- Where growth happens, on the nature of growth and dynamism across England

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

Barrie Morris	Engagement Lead	T 0117 305 7708	barrie.morris@uk.gt.com
Steve Johnson	Audit Manager	M 07880 456134	steve.p.johnson@uk.gt.com

Position at 23 January 2015

Work	Planned date	Complete?	Comments
<p>2014/15 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014/15 financial statements.</p>	12 March 2015.	On the agenda.	Initial planning work is complete.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed work for the Value for Money conclusion. 	January to March 2015.	Complete	Our initial review of the Council's control's and our early substantive testing has been undertaken and is reported as part of the Audit Plan.
<p>2014/15 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2014/15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2015	Not yet due	The audit of the 2014/15 financial statements will be undertaken between July and September 2015 and reported to the September Audit Committee to meet the 30 September 2015 deadline.

Position at 23 January 2015 (continued)

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises a review of whether the Council has:</p> <ul style="list-style-type: none"> • proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. • Proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity. 	February 2015 to September 2015.	Not yet due	<p>An interim risk assessment was made as part of the Audit planning in February 2015.</p> <p>The detailed work will continue through to September 2015, when we are required to give our VfM conclusion.</p>
<p>Certify the Council's WGA accounts</p>	September 2015.	Not yet due	To be completed as part of the final accounts audit
<p>Grant claims and certification.</p> <p>We anticipate that the only claim that will require certification for 2014/15 will be the Housing benefit and council tax subsidy claim.</p>	June 2015 to November 2015.	Not yet due	Work will commence in June 2015 and will be completed by November 2015.

All aboard: Local Government Governance review 2015

Grant Thornton

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

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

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

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

The report *Local Government Governance review 2015: All aboard* can be found on our website

http://www.grant-thornton.co.uk/Global/Publication_pdf/Local-government-governance-review-2015-All-aboard.pdf

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

Rising to the challenge

Grant Thornton

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

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

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

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

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

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

2020 Vision

Grant Thornton

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

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

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

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

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

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

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

Pulling together the Better Care Fund

Grant Thornton

Our national report 'Pulling together the Better Care Fund' is available at: <http://www.grant-thornton.co.uk/en/Publications/2014/Pulling-together-the-Better-Care-Fund/>.

The reports asks 'Do local authorities and clinical commissioning groups (CCGs) have effective arrangements to develop joint Better Care Plans for agreement by the health and wellbeing boards (HWBs) and how ready are they for the pooled fund in April 2015?'

Our report draws on our review of the introduction of draft Better Care Fund (BCF) plans for both the February and April submissions. It is based on a sample of our findings from 40 HWB localities. It considers the partnership arrangements across a HWB planning area and is supported by discussions with the sector, across the country. The result is a snap shot of progress as at 30 June 2014, prior to the issue of revised planning guidance by NHS England and the Local Government Association on 25 July 2014.

It provides you with:

- an understanding of how your approach to introducing BCF compares to others across the country
- assistance in identifying the key issues to delivering Better Care Fund plans effectively
- insight into current best practice
- practical areas for consideration for improving arrangements in the future.

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

Earlier closure and audit of accounts

Accounting and audit issues

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

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month

discuss potential issues openly with auditors as they arise throughout the year

agree key milestones, deadlines and response times with your auditor

agree exactly what working papers are required.

Issue for consideration:

- What plans has your s151 Officer put in place to address the earlier close date?

Management response:

- A detailed timetable for the 2014-15 Closedown of Accounts process is in place and this will be reviewed to see where earlier deadlines could be achieved in future years.

Financial sustainability of local government

Local government guidance

In November the National Audit Office published their report on the [Financial Sustainability of Local Government](#).

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

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

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

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

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

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

Kerslake report on Birmingham City Council

Local government guidance

Sir Bob Kerslake published his report, [The way forward: an independent review of the governance and organisational capabilities of Birmingham City Council](#), on 9th December.

Commissioned by the Secretary of State this comes off the back of well publicised failures in Children's Services and the Trojan Horse issue in Birmingham Schools. It includes some tough messages for Birmingham City, but there are issues that resonate with all large local authorities.

The report's recommendations include the following.

- Page 15**
- The Council needs an external Improvement Board to show that it is making the changes it needs to effectively serve its population.
 - Internal governance needs fundamental change, including the relationship between members and officers, how it plans for the future, a stronger corporate core and a programme of culture change.
 - The Council needs more political clarity, moving away from annual thirds elections and reducing the number of members. This includes redesigning the model for representative governance.
 - Medium term financial planning needs greater clarity, and the Council cannot assume that it will get any additional Government support.
 - In moving from a 20,000 people organisation in 2010 to a 7,000 people one by 2018 the Council needs fit for purpose workforce planning.
 - Devolution within the Council and across the City needs simplifying and a greater outcome focus.
 - Partnership working needs redefining, with the Council moving away from a 'Big Brother' approach.
 - The Council needs to work with the other West Midland MBCs to make the combined authority a reality that delivers jobs and prosperity to the region.

Issue for consideration:

- Has South Hams District Council considered whether there are lessons or issues from the report that it also needs to action?

Management response:

- The Council will review the Kerslake report on Birmingham City Council to address this recommendation.

Local government financial reporting remains strong

Local government guidance

The Audit Commission published its report, [Auditing the Accounts 2013/14: Local government bodies](#), on 11th December 2014.

Financial reporting was consistently strong for most types of principal local authority in 2013/14 when compared to the previous financial year. This year the Commission has congratulated 16 bodies where auditors were able to issue an unqualified opinion and a VFM conclusion on the 2013/14 accounts by 31 July 2014, and the body published audited accounts promptly. Although, as only 21 principal bodies have managed to publish their audited accounts by 31 July since 2008/09, a move to bring the accounts publication date forward is likely to cause significant challenges for the majority of public bodies.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2014 at 99 per cent of councils, 90 per cent of fire and rescue authorities, 97 per cent of police bodies, all other local government bodies and 99 per cent of both parish councils and internal drainage boards. This is consistent with last year for most groups, but an improvement for councils and small bodies compared to 2012/13.

Eight principal authorities were listed where the auditor was unable to issue an opinion by the 30th September deadline.

Glossary

Abbreviation	Detail
BCF	Better Care Fund
CCG	Clinical Commissioning Group
CEO	Chief Executive Officer
CIPFA	Chartered Institute of Public Finance Accounts
DCLG	Department for Communities and Local Government
FD	Finance Director
HWB	Health and Wellbeing Board
IFRS	International Financial Reporting Standard
INLOGOV	Institute for Local Government Studies
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LAAP	Local Authority Application Panel
LEP	Local Enterprise Partnership
NAO	National Audit Office
NFI	The National Fraud Initiative
SAR	Strategic Asset Review
SFIS	Single Fraud Investigation Service
VFM	Value for Money



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The Audit Plan for South Hams District Council

Year ended 31 March 2015

12 March 2015

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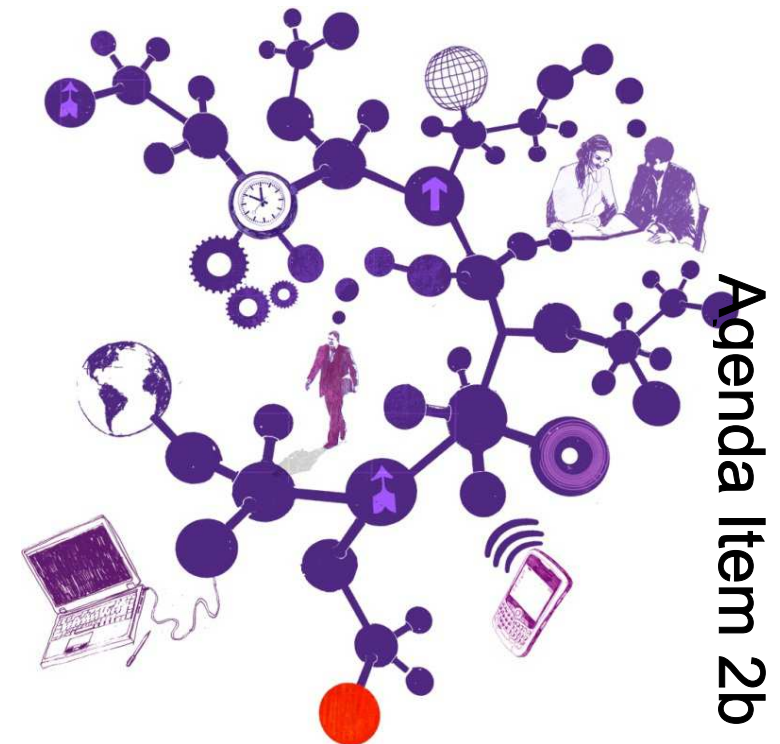
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Agenda Item 2b

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

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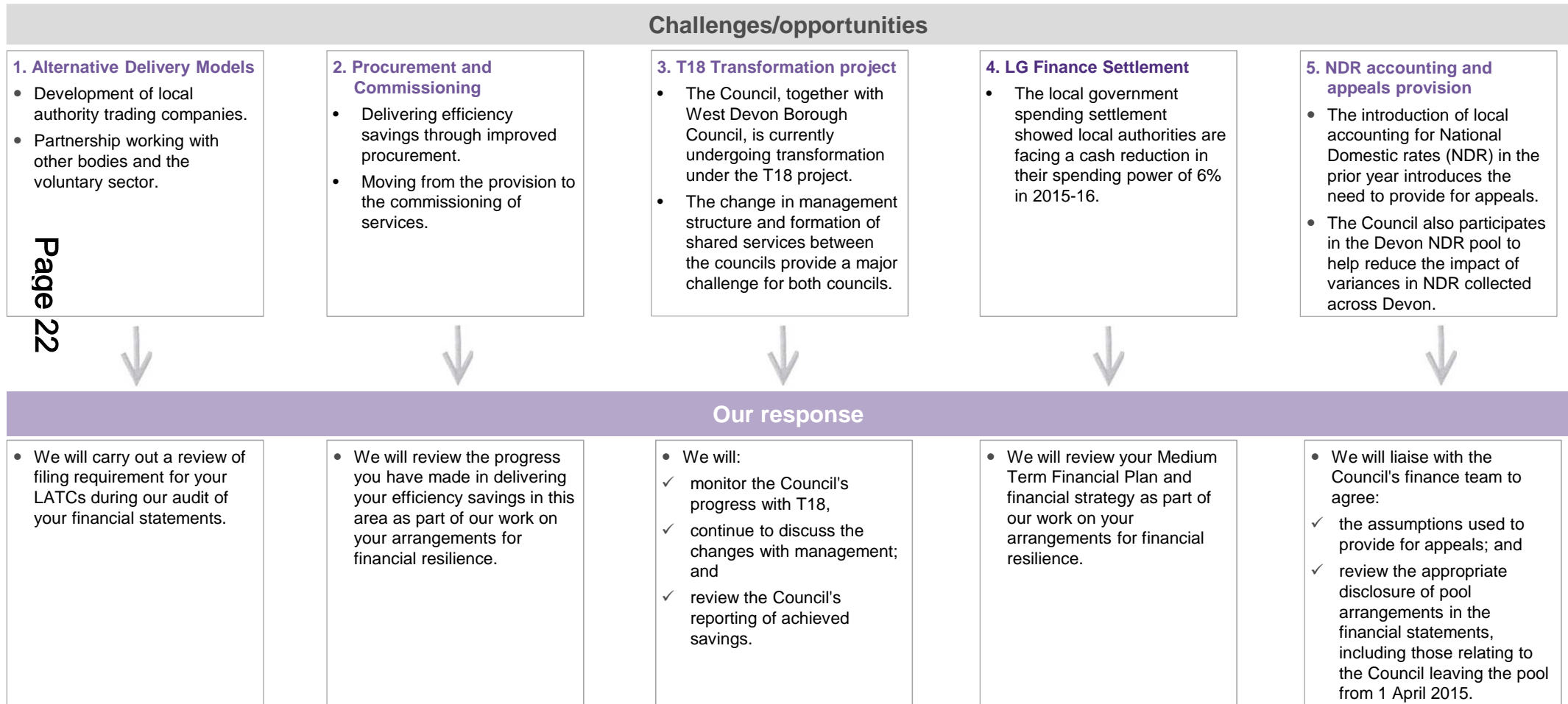
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks identified
6. Value for Money
7. Results of interim audit work
8. Key dates
9. Fees and independence
10. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

Understanding your business

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



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Developments relevant to your business and the audit

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

Developments and other requirements

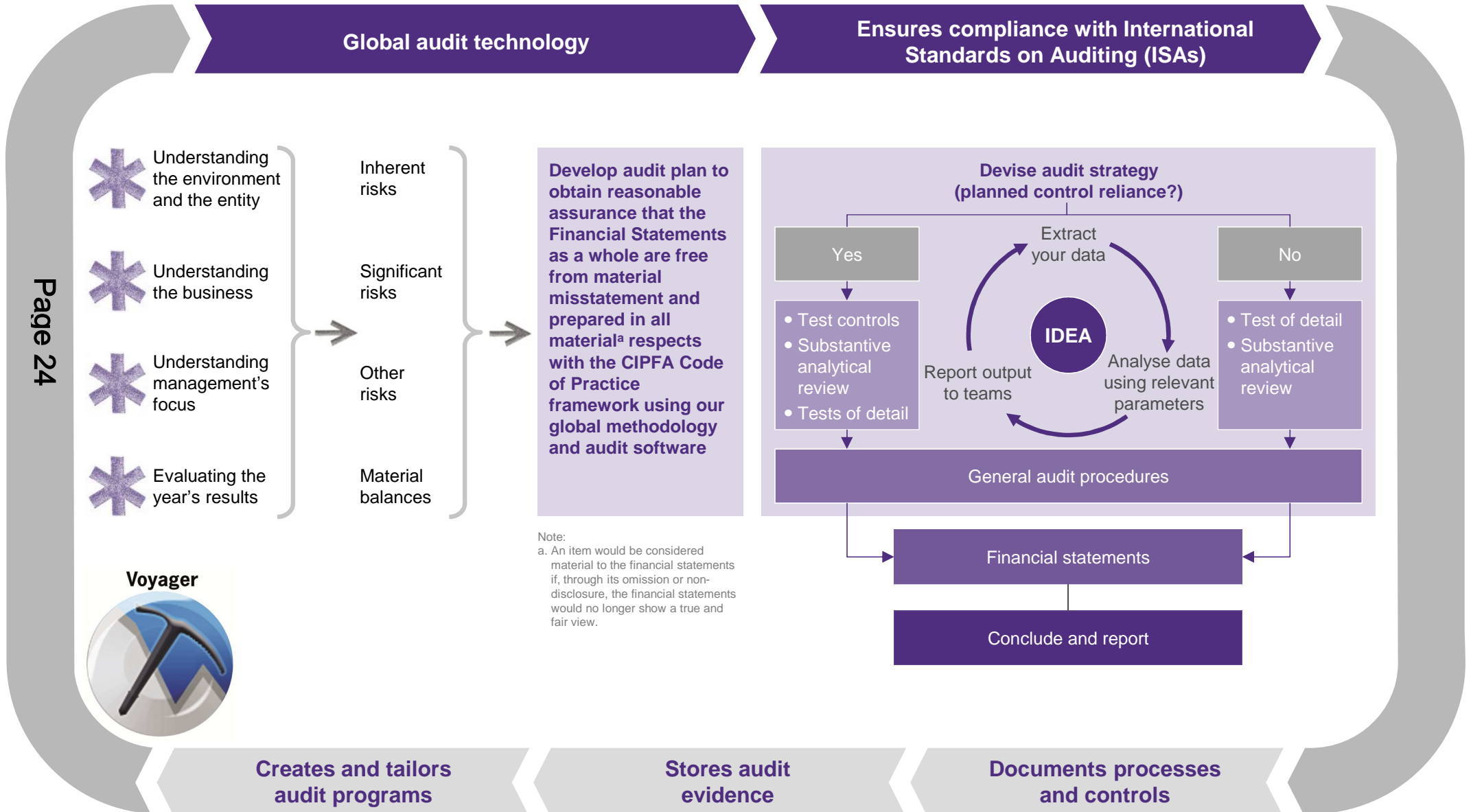
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice. 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement. 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS). • Explanatory foreword. 	<p>4. Better Care Fund</p> <ul style="list-style-type: none"> • Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015. 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource. • Progress against savings plans. 	<p>6. Other requirements</p> <ul style="list-style-type: none"> • The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion. • The Council completes grant claims and returns on which audit certification is required
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Our response

<ul style="list-style-type: none"> • We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing. 	<ul style="list-style-type: none"> • We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate. 	<ul style="list-style-type: none"> • We will review the arrangements the Council has in place for the production of the AGS. • We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge. 	<ul style="list-style-type: none"> • We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required. 	<ul style="list-style-type: none"> • We will review the Council's performance against the 2014/15 budget, including consideration of performance against the savings plan. • We will undertake a review of Financial Resilience as part of our VfM conclusion. 	<ul style="list-style-type: none"> • We will carry out work on the WGA pack in accordance with requirements. • We will certify the housing benefit subsidy claim in accordance with the requirements specified by Public Sector Audit Appointments Ltd. This company will take over the Audit Commission's responsibilities for housing benefit grant certification from 1 April 2015.
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Our audit approach



Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 25</p>	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at South Hams District Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; • there are appropriate controls in place to mitigate the risk of revenue recognition; • the nature of all material categories of income means that improper recognition would be difficult to conceal; and • the culture and ethical frameworks of local authorities, including South Hams District Council, mean that all forms of fraud are seen as unacceptable.
<p>Management over-ride of controls</p>	<p>Under ISA 240 the presumption that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual, significant journal transactions. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Testing of journal entries. • Review of unusual, significant journal transactions.

Significant risks identified cont'd

Significant risk	Description	Substantive audit procedures
Provisions	Redundancy provision at 31 March 2015 understated.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Discussion with Finance Community of Practice Lead, and Chief Accountant with regards to progression of T18 transformation programme and disclosures within the accounts. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of a transaction. • Review allocation of costs between South Hams District Council and West Devon Borough Council. • Re-performance of redundancy provision at 31 March 2015. • Comparison of provisioned redundancies to actual redundancies made post year end. • Review of accounting policies and disclosures in draft accounts.

Other risks identified

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

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

Other risks	Description	Audit Approach
<p>Operating expenses</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 27</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. Substantively test a sample of operating expenses. <p>Further work planned:</p> <ul style="list-style-type: none"> Agree creditors to the ledger. Review of payments before and after year end to ensure that they are allocated to the correct year and correctly recognised. Substantively test a sample of operating expenses. Discuss year end accruals process with accounting team.
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction. Substantively test a sample of remuneration transactions. <p>Further work planned:</p> <ul style="list-style-type: none"> Predictive analytical review. Substantively test a sample of remuneration transactions. Review the apportionment of costs between South Hams District Council and West Devon Borough Council.

Other risks identified cont'd

Other risks	Description	Audit Approach
Welfare Expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of system documentation and walkthrough of transactions. • Completed uprating checklist. • Review of prior year 40+ testing issues. <p>Further work planned:</p> <ul style="list-style-type: none"> • Substantively test a sample of welfare claims. • Verifying system parameters. • Analytical Review. • Review the reconciliation of the housing benefit system to the general ledger. • Agree the Housing Benefit claim to the accounts.

Value for money

Value for money

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

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

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

We have undertaken a risk assessment to identify areas of risk to our VfM conclusion.

We will undertake work to ensure that as well as addressing high risk area it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. We do not plan to undertake any other specific reviews to support our VfM conclusion.

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter. We will issue a separate report in respect of VfM and agree any additional reporting to the Council on a review-by-review basis.

Results of interim audit work

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

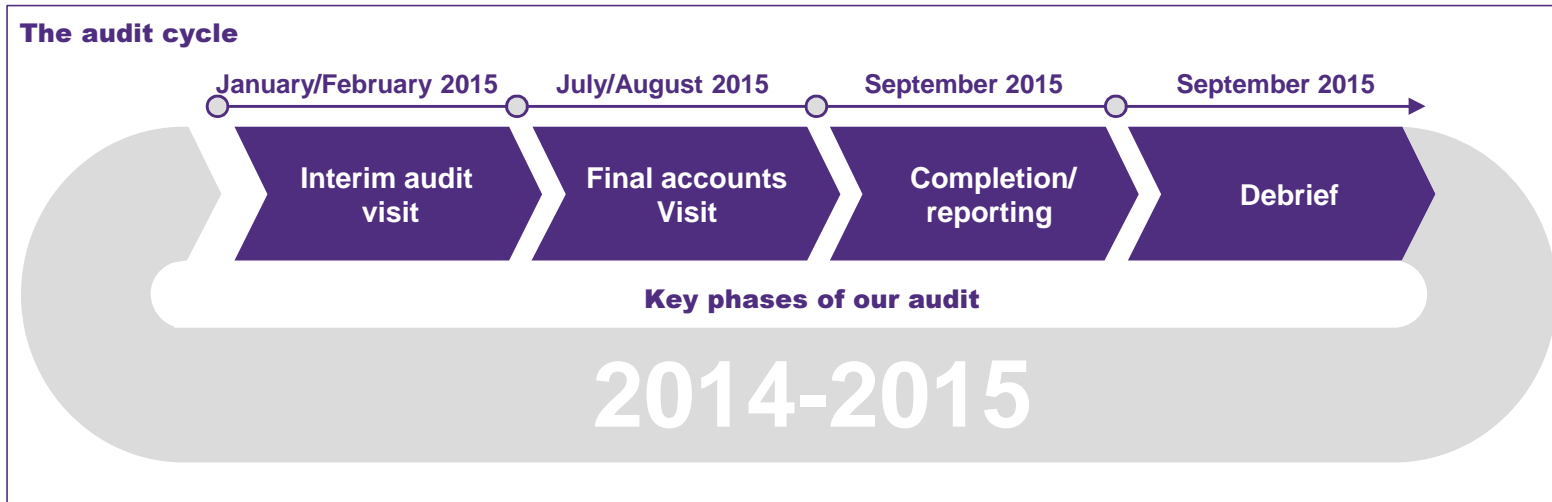
	Work performed and findings	Conclusion
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment at the Council.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p> <p>We will continue to review Internal audit's reports up to the signing of the financial statements.</p>
Walkthrough testing	<p>We have completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any control issues in relation to employee remunerations which we wish to bring to your attention.</p>	<p>Please see action plan included within the Appendices for details of issues identified through the walkthrough testing.</p> <p>We will complete a walkthrough of a transaction for the redundancy provision during the final accounts work.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values. • Commitment to competence. • Participation by those charged with governance. • Management's philosophy and operating style. • Organisational structure. • Assignment of authority and responsibility. • Human resource policies and practices. 	<p>Our work has not identified any material weaknesses which are likely to adversely impact on the Council's financial statements that have not been identified through the walkthrough testing.</p>

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Results of interim audit work cont'd

	Work performed	Conclusion
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our interim audit work has not identified any material issues, but we have made a suggestion regarding best practice within the Action Plan, included within the Appendices.</p> <p>We will review the final quarters journals and perform a review to ensure our journal listing is complete as part of the final accounts audit.</p>
Early substantive testing	<p>We have completed substantive audit testing on employee remuneration, and operating expenditure for the first nine months of the year by extracting a sample from the relevant nominal codes. No issues have been identified that we wish to highlight for your attention.</p> <p>Further we have reviewed issues identified within the 2013/2014 grant claim relating to backdated claims and have completed the Module 2 uprating checklist.</p>	<p>Our interim work has not identified any material issues.</p> <p>We will perform further substantive testing on the final quarter of the year to 31 March 2015 as part of the final accounts audit.</p>

Key dates



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Date	Activity
January 2015	Planning
February 2015	Interim site visit
12 March 2015	Presentation of audit plan to Audit Committee
July/August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with Finance Community of Practice Lead
September 2015	Report audit findings to those charged with governance (Audit Committee)
September 2015	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	57,872
Grant certification	9,770
Total fees (excluding VAT)	67,642

Our fee assumptions include:

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

Grant certification

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

Fees for other services

Service	Fees £
None	Nil

Fees for other services

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

Independence and ethics

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

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

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

Communication of audit matters with those charged with governance

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

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

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

Respective responsibilities

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

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

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

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

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

Appendices

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Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	<p>Payroll authority list</p> <p>We recommend the council prepare a list of signatories, with authorisation limits, detailing those who have the authority to sign off overtime and expenses. Signatures on signed forms can then be checked against this list to ensure appropriate authority has been given for the expenditure.</p>	Medium	Agreed. This is timely considering the changes in personnel and will be actioned immediately.	Immediately.
2	<p>Journal authorisation</p> <p>We recommend all journals are authorised electronically before they are posted to the system.</p>	Low	Journal authorisation – As agreed in previous years, all journals will not be authorised due to the staff resource that would be needed for this, however a compensating control is in place that all journals over £25,000 will be periodically reviewed by the Finance Business Partner.	The compensating control is already in place.

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Grant Thornton

Lisa Buckle
South Hams District Council
Follaton House
Plymouth Road
Totnes
Devon
TQ9 5NE
16 February 2015

Dear Lisa

Certification work for South Hams District Council for year ended 31 March 2014

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

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

We have certified one claim for the financial year 2013/14 relating to expenditure of £23.0 million. Further details of the claims certified are set out in Appendix A.

There was only one issue arising from our certification work that we wish to highlight for your attention, this is included at Appendix A. In all other respects, we are satisfied that the Council has appropriate arrangements to compile complete, accurate and timely claims/returns for audit certification.

The indicative fee for 2013/14 for the Council is based on the final 2011/12 certification fees, reflecting the amount of work required by the auditor to certify the claims and returns in that year. Fees for schemes no longer requiring certification (such as the national non-domestic rates return) have been removed. The fees for certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme. The indicative scale fee set by the Audit Commission for the certification of the Housing Benefits Claim at the Council for 2013/14 was £9,328 (£11,100 in 2012/13).

Our testing of Non-HRA rent rebate cases identified two cases where backdating had been incorrectly applied. No loss of subsidy accrued. This resulted in additional testing on the thirteen other cases that could be affected by the error and twelve further errors were identified. As we were required to undertake additional testing beyond that envisaged in the indicative fee, we sought authorisation from the Audit Commission to increase the fee charged by £900 to £10,228. This was approved. Certification fees are detailed in Appendix B.

Yours sincerely

Barrie Morris
For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2013/14

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing benefits subsidy claim	£22,972,308	Yes	Nil	Yes	<p>The Council does not update all the system parameters each year, specifically for types of claim for which that no cases are expected, e.g. Polygamous marriages.</p> <p>However, in order to ensure a claim, if received, is not miscalculated, all amounts should be updated on the system at the start of the year.</p>

Appendix B: Fees for 2013/14 certification work

Claim or return	2012/13 fee (£)	2013/14 indicative fee (£)	2013/14 expected fee (£)	Variance (£)	Explanation for variances
Housing benefits subsidy claim (BEN01)	11,100	9,328	10,228	-872	Additional £900 as a result of additional testing.
National non-domestic rates return (NNDR3)	2,000	n/a	n/a	-2,000	No requirement to certify this return in 2013/14
Total	13,100	9,328	10,228	-2,872	

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NAME OF COMMITTEE	Audit Committee
DATE	12 March 2015
REPORT TITLE	INTERNAL AUDIT – REVISION OF and PROGRESS AGAINST THE 2014/15 PLAN
Report of	Head of Devon Audit Partnership
WARDS AFFECTED	All/Corporate

Summary of report:

The purpose of this report is to inform Members of the principal activities and findings of the Council's Internal Audit team for 2014/15 to the end of January 2015, by:

- Providing a summary of the main issues raised by completed individual audits; and
- Showing the progress made by Internal Audit against the 2014/15 annual internal audit plan, as approved by this Committee in April 2014.

Financial implications:

None, within existing budgets.

RECOMMENDATIONS:

That the Audit Committee notes the progress made against the 2014/15 internal audit plan, and the key issues arising.

Officer contact:

Robert Hutchins, Head of Devon Audit Partnership - 01803 861375

Email: Robert.Hutchins@swdevon.gov.uk

Lisa Buckle, S.151 Officer – 01803 861413

1. BACKGROUND

- 1.1 The Charter for Internal Audit was presented to the Audit Committee in April 2014 (Minute reference A.32/13) and covers:

Purpose, Authority and Responsibility;
Independence;
Audit Management;
Scope of Internal Audit's Work;
Audit Reporting; and
Audit Committee.

- 1.2 The Audit Strategy was updated for 2014/15 and was approved by the Audit Committee in April 2014 (Minute reference A.32/13 refers). It covers:

Objectives and Outcomes;
Opinion on Internal Control;
Local and National Risk Issues;
Provision of Internal Audit; and
Resources and Skills.

2. PROVISION OF INTERNAL AUDIT AND PROGRESS – 2014/15

Audit Plan 2014/15

- 2.1 The 2014/15 audit plan (Appendix A) was presented and accepted by the Audit Committee at their meeting of April 2014 (A.33/13 refers).

Local and National Risk Based Amendments to the Plan/T18 Transformation

- 2.2 The audit plan is continuously reviewed and updated to reflect emerging risks, and these are incorporated either through the contingency days or by changes to the plan, depending on the significance.
- 2.3 Previous reports have referred to the impact of the T18 Transformation programme and the reduction in internal audit resources available. The 2014/15 internal audit plan has been updated to reflect these changes.

Resources and Skills

- 2.4 Sickness to the 31 January 2015 is 2 days (2013/14 equivalent 4 days).
- 2.5 In 2014/15 to date, 8 days training has been provided to the audit team.

Progress against the Plan

- 2.6 The 2014/15 Internal Audit Plan is attached at **Appendix A**. This has been extended to show the final position for each audit, and replicates a part of the monitoring report presented to the S.151 Officer.
- 2.7 The reporting of individual high 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.

- 2.8 **Appendix C** provides a summary of the main issues raised for all of the audits where a final audit report has been issued. In addition, the Appendix shows the results of our follow up of previous audit work and tasks that have not produced an audit report.
- 2.9 **Appendix D** provides a summary of unplanned work carried out by the team. This work is by definition unexpected work, which ranges from advice to managers on control issues, to the investigation of potential irregularities. Tasks are budgeted from the 'Contingency' line of the audit plan.

Non Compliance with Contract or Financial Procedure Rules

- 2.10 There are no significant issues to bring to the attention of the Committee so far this year.

Fraud, Corruption, Bribery and Whistle Blowing

- 2.11 No actual, suspected or allegations of fraud, corruption or bribery have been identified so far this year, and there are no known whistle blowing reports.

Performance Indicators

- 2.12 Internal Audit's performance indicators are mainly collected annually and will be reported to the Audit Committee in full in the year-end report. The full list of those recorded is set out in the Audit Strategy 2014/15.
- 2.13 Progress made against the plan is considered to be good; we remain confident that the key elements in the revised plan will be delivered by the end of March 2015.

3. LEGAL IMPLICATIONS

- 3.1 Statutory Powers: **Accounts and Audit Regulations 2011**

4. FINANCIAL IMPLICATIONS

- 4.1 None, within existing budgets.

5. RISK MANAGEMENT

- 5.1 The risk management implications follow this table:

Corporate priorities engaged:	All/Corporate
Statutory powers:	Accounts and Audit Regulations 2011.
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	There are no specific biodiversity issues arising from this report.
Sustainability considerations:	There are no specific sustainability issues arising from this report.

Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	CIPFA Local Government Application Note for the united Kingdom Public Sector internal Audit Standards 2013; CIPFA Code of Practice for Internal Audit in Local Government 2006; and SHDC 5-year Audit Plan 2010/11 to 2014/15.
Appendices attached:	Appendix A: Audit Plan 2014/15 – Progress to 31st January 2015. Appendix B: Planned Audit 2014/15 – Final Reports: Detailed Items. Appendix C: Planned Audit 2014/15 – Summary of Results and Unplanned Audit 2014/15 – Summary of Results.

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity to Make the Best Use of Scarce Audit Resource	Audit work completed in line with the audit plan and to the required quality standards will ensure that the external auditor gains assurance from the work of internal audit. The result is no additional charges being requested to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	-	-	-	↔	A risk based audit plan directs scarce audit resources towards areas of high risk to the Council.	Head of Devon Audit Partnership
2	Inappropriate Use of Scarce Audit Resource	The directing of scarce audit resources away from areas of high risk may undermine the opinion provided to the Council by the Chief Internal Auditor on the System of Internal Control.	2	2	4	↔	Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year.	Head of Devon Audit Partnership

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Links with External Audit	The external auditor may gain no assurance from the work of internal audit, potentially resulting in requests for additional charges to carry out the audits required to allow him/her to issue the certificate and opinion on the Council's accounts, including for the Annual Governance Statement.	2	2	4	↔	Regular liaison with the external auditor. Risk based audit plan, reviewed by senior managers and members, and updated as appropriate through the year. Regular monitoring of progress by the S.151 Officer and the Audit Committee.	Head of Devon Audit Partnership
4	Assurance for the Annual Governance Statement	The Council's Annual Governance Statement cannot be signed if Internal Audit fails to complete the work set out in the approved risk based audit plan due to unforeseen circumstances.	3	2	6	↔	Regular monitoring of performance by the S.151 Officer and the Audit Committee. Audit approach adheres to the appropriate professional standards. Closer links with our neighbouring Council's audit team will provide reasonable assurance that higher risk audits are covered each year without fail, should significant resource issue arise.	Head of Devon Audit Partnership

Direction of travel symbols ↓ ↑ ↔

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
MAS & Budgetary Control	13	■								30% completed.
Creditor Payments	11	■	■	■	■			■		
Payroll	10	■	■					■		Draft report issued 25/11/2014
Council Tax	14	■	■	■	■			■		
Business Rates (NDR)	12	■	■	■	■			■		
Benefits	15	■	■	■	■			■		See Appendix B
Benefits Debtors	5	■	■	■	■			■		See Appendix B
Debtors	10	■	■							Draft report issued 08/01/2015
Treasury Management	4	■	■				■			Draft report issued 16/02/2015
Capital Expenditure & Receipts	11	■	■	■	■		■			
Fundamental Systems	105									
Salcombe Harbour	10	■	■	■	■		■			See Appendix B
Dartmouth Lower Ferry	9	■	■	■	■			■		
Street Scene - Car and Boat Parking	9	■								50% completed.
Private Sector Housing Renewal	8	■	■	■	■		■			
Data Quality & Performance Indicators	5	■	■							Strategy only.
Use of Email & Internet	10	■	■	■	■		■			
Computer Audit (see below)	26	-	-	-	-	-	-	-	-	
Grants - RDPE Rural Community LAGs	20	22 days used	-	-	-	-	-	-	-	

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Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Coastal Communities Fund – Accountable Body	7	6 days used	-	-	-	-	-	-	-	Minute reference E.28/12 refers. 5 project and 5 management claims audited.
Follow Up of Previous Year's Audits	10	3 days used								
Contingency – advice guidance and other unplanned work	54	58 days used, of which 21 for T18.								Includes:- <ul style="list-style-type: none"> • Advice / guidance on new creditors system work • SH election duties • Support re Oct payroll issue
Corporate Governance	8									
Exemptions to Contract or Financial Procedure Rules	5	3 days used								12 Exemption applications received and processed to January 2015, of which 12 accepted.
System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	Reports to the July and October 2014 Audit Committees for approval of the Annual Governance Statement.
Risk Management / Business Continuity	3									
West Devon Borough Council	112	-	-	-	-	-	-	-	-	Separately reported to WDBC, plan reduced by two audit engagements.
Other Essential (Revised)	301									
Coast Protection	5	■	■	■	■			■		
Flood Defence and Land Drainage	6	■	■	■	■		■			
Environmental Initiatives including AONB	6	■	■	■	■		■			
Land and Investment Properties	7	■	■	■	■		■			
Democratic Representation including Members	6	■	■	■	■		■			
Community Safety	4	■	■	■	■	■				
Housing Standards	3	■	■	■	■		■			

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects Agreed in the Audit Plan	Planned Number of Days	Fieldwork Commenced	Draft Report	Management Comments Received	Finalised	Opinion (finalised reports only)				Comments
						Excellent	Good	Fair	Poor	
Pest Control	1	■	■	■	■	■				
Beach Cleaning	6	■	■	■	■		■			
Non distributed costs including Redundancies	5									
Local Welfare Support	2									
Economic Development	5	■	■	■	■	■				
Advice to RM/ Information Compliance/Other Groups	3	0 days used	-	-	-	-	-	-	-	
Shared Services	5	■	■	■	■		■			
Sustainability	4	■	■	■	■		■			
T18 Transformation Programme	5	1.4 days used								
Counter Fraud Work	10	■	■	■	■		■			See Appendix B
Other (Revised)	83									

Computer audit (referred to above)										
Installation & Healthcheck	7	-								Planned for 4 th quarter
Computer & Network Management and Security	9	-								Planned for 4 th quarter
Change Control	7	-								Planned for 4 th quarter
Other Reviews including Internet Controls	3	-								Planned for 4 th quarter
Computer Audit	26									

Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Overheads											
Audit Administration	15	14 days used	-	-	-	-	-	-	-	-	Includes team briefings, staff voice etc.
Audit Management, including <ul style="list-style-type: none"> • Audit Planning • Partnership audit Management • Monitoring against the plan • Reports to management and audit committee 	46	31 days used	-	-	-	-	-	-	-	Includes attendance at Audit Committee.	
Training	12	8 days used	-	-	-	-	-	-	-		
Miscellaneous e.g. CPR, EPR etc.	5	1 days used	-	-	-	-	-	-	-	Update of CPR	
Total (Revised)	78	54 days used									
Overall Total (Revised)	567									From 630 days	

RESOURCES AVAILABLE (Revised)		2014/15
		Days
Chief Internal Auditor	<i>From 234 days in the original plan</i>	117
Senior Auditor		261
Auditor		261
Partnership Audit Management	<i>New</i>	35
Sickness	<i>From -18 days in the original plan</i>	-15
Bank Holidays	<i>From -24 days in the original plan</i>	-21
Annual Leave	<i>From -84 days in the original plan</i>	-71
TOTAL RESOURCES AVAILABLE	<i>From 630 days in the original plan</i>	567

Planned Audit 2014/15 – Final Reports Issued

The following tables provide a summary of the **audit opinion** and main issues raised in the reports issued to managers. **In all cases (unless stated) an action plan has been agreed to address these issues.**

Opinion Definitions

Excellent

The areas reviewed were found to be well controlled; internal controls are in place and operating effectively. Risks against the achievement of objectives are well managed.

Good

The majority of the areas reviewed were found to be adequately controlled. Generally risks are well managed but a few areas for improvement have been identified.

Fair

There is a control framework in place, but some of the areas reviewed were not found to be adequately controlled. In these areas risks are not well managed and require controls to be strengthened to ensure the achievement of system objectives.

Poor

Controls are seriously lacking or ineffective in their operation. No assurance can be given that the system's objectives will be achieved.

Planned Audit 2014/15 – Final Reports Issued

March 2015 Audit Committee

Subject	Audit Findings	Management Response
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 54</p> <p>Benefits</p>	<p>Audit Opinion</p> <p><i>Fair</i></p> <p>Conclusions</p> <p>We were able to confirm that some of the agreed actions to our recommendations in the 2013/14 audit reports have been implemented. However there remain a number of outstanding issues, which we are advised by managers are either due to limited staff resource, or because the outcome of the T18 programme is awaited as this will lead to some significant changes in staffing structure and responsibilities.</p> <p>In addition, our work during 2014/15 has highlighted some other areas where the controls over the management of Benefits could be further strengthened, the most significant of which are:</p> <ul style="list-style-type: none"> • Users access to the system needs to be reviewed, particularly in light of a number of staffing restructures that mean leavers and officers changing services still have access; and • The Benefits Technical Team are already investigating ways to simplify the reconciliations for each benefits payments run. Current procedures, whilst not wrong, are complex and time-consuming and rely on the knowledge of a single officer should any discrepancies arise. 	<p>Agreed. The access rights will be reviewed and updated. A regular review will be made in future.</p> <p>Agreed. The benefits payment process is still being mapped. Work has had to be put on hold due to annual billing but is to be recommenced as soon as possible.</p>

	<p>Our recommendations are made with regard to future changes under the T18 model and the impact on service delivery.</p> <p>Some of the recommendations made in the separate 2014/15 audit of Housing Benefit Debtors may also impact on the management of benefit claims.</p>	
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 55</p> <p>Housing Benefits Debtors</p>	<p>Audit Opinion</p> <p>Fair</p> <p>Conclusions</p> <p>We recognise that, in the majority of cases, action has been undertaken by officers to identify and to recover housing benefit debt in line with policy and procedures.</p> <p>However, we are advised by managers that the effectiveness of procedures is hampered by the restricted functionality of the housing benefit debtors system.</p> <p>This is combined with the knowledge that the number of overpayments identified has increased as a result of information received via the HMRC RTI programme, and is likely to further increase in the future if the Council takes part in the DWP Fraud and Error Reduction Incentive Scheme (FERIS) as planned.</p> <p>The level of combined SHDC benefit debt is in excess of £1M as at December 2014 and management are reminded of the need to reduce the level of rising debt</p> <p>We have identified a number of areas where changes to procedures could potentially lead to improved levels of debt recovery, the most significant of which are:</p>	

	<ul style="list-style-type: none"> • Consideration should be given to bringing in additional resource to assist in the recovery of benefit overpayment debt; and • It should be ensured that procedures are determined to allow recovery to be actioned at legal stage now that the Councils' Legal team are no longer responsible for this task. 	<p>Agreed. A business case for additional resource is currently being prepared by the Benefits Manager.</p> <p>In the future, the additional resource which is to be requested, would be expected to have experience of progressing recovery to court, including by using external agencies, as well as recovering overpayments through County Court Judgements, Attachments of Earnings etc.</p>
<p>Page 56</p> <p>Counter Fraud</p>	<p>Audit Opinion</p> <p>Good</p> <p>Conclusion</p> <p>The Council has had a good track record of minimising risk and the potential for fraud. We have highlighted some areas where this could be improved, these include;</p> <ul style="list-style-type: none"> • The Service Processing Admin Lead (SP) should ensure that a clear procedure is in place for all requested creditor bank account changes. This procedure should include guidance on verifying the authenticity of the change request received; and • Updating the Councils' websites to include updated reports and policies relating to fraud and corporate governance. This may also mean highlighting easier methods for reporting potential issues and frauds. 	<p>Agreed. Processes have been tightened and officers reminded of the importance of checking information through an independent source before making any changes.</p> <p>Agreed, these issues are to be reviewed in the new financial year and where required action will be taken to address the recommendations identified.</p>
<p>Salcombe Harbour</p>	<p>Audit Opinion</p> <p>Good</p>	

	<p>Conclusion</p> <p>The harbour encompasses a variety of systems and processes and its officers complete these to a noteworthy standard and where possible we have endeavoured to report issues to further improve the controls in place.</p> <p>We have raised some issues in the detailed appendices to the report; the most significant areas are as follows:</p> <ul style="list-style-type: none"> • We identified during testing a number of variances between the income expected and actual on the batch and bank reports. Although some of these were subsequently corrected it is not clear why these variances persist; • There is no formal control by the harbour staff or the harbour system to confirm that batch reports are produced for all transactions. There is the risk that missing batches may mean missing income; and • Full reconciliation of the harbour debtors to the Council financial systems has not been completed since the start of the year, partly due to the new harbour system and lack of resources within the Service Processing and Admin Group. 	<p>Batch reports have now been updated by software supplier to resolve issues and we will checks that report totals agree.</p> <p>Discussions have been undertaken with the software supplier to ensure that all batches are accounted for on the system.</p> <p>Agreed, due to other work pressures this has not been fully completed and will be done by year end.</p>

Planned Audit 2014/15 – Work Complete (No Audit Report)

Subject	Comments
Exemptions to Financial Procedure Rules	See table at Appendix A.
RDPE Rural Communities – LAGs; and Coastal Communities Fund	See table at Appendix A, SHDC is the ‘accountable body’. Auditing in line with the approach required by the funding body.

Unplanned Audit work – 2014/15

General

Description	Main Issues
Minor enquiries and issues investigated, including some planned work, which by its nature does not require a report. Resourced from the contingency line of the audit plan.	<ul style="list-style-type: none"> • General procurement and disposal rules advice; • General ICT issues; • General Finance issues; • Advice and review of updated finance software including ordering system and creditor payments; • Dartmouth Ferry – advice and assistance re new software; • T18 Transformation – various; • Advice re RDPE LAGs Accountable Body; • minor control issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies.

AGENDA
ITEM

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SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

9

NAME OF COMMITTEE	Audit Committee
DATE	12 March 2015
REPORT TITLE	THREE YEAR INTERNAL AUDIT PLAN 2015/16 TO 2017/18 AND ANNUAL INTERNAL AUDIT PLAN - 2015/16
Report of	Head of Devon Audit Partnership and S151 Officer
WARDS AFFECTED	All

Summary of report:

Internal Audit is ‘an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’ – *Public Sector Internal Audit Standards*.

The purpose of this report is to provide Members with the opportunity to review and comment upon proposed internal audit plan for the coming three years (2015/16 to 2017/18) and proposed annual internal audit plan for 2015/16.

It is not possible, or an effective use of time and resources, to audit all areas each year; as a result a three year plan is prepared to show which areas are expected to be audited and those areas which are considered (at this moment at time) of lower risk and which are not scheduled for audit review.

The internal audit plans (both three year and in-year) should not be seen as “tablets of stone”; both plans will be subject to both in-year and annual reviews to ensure that those key areas of risk and change are reflected within the plans.

The plan aims to optimise the use of the limited and finite audit time available and enable the Head of Devon Audit Partnership to provide an opinion on the adequacy, effectiveness and reliability of the Council's system of internal control and governance framework, which will subsequently feed into the Annual Governance Statement.

Financial implications:

The Internal Audit costs for the year are as budgeted.

RECOMMENDATIONS:

Members consider and note the content of the three year Internal Audit Plan for the period 2015/16 to 2017/18 (see Appendix A) and make any relevant recommendations to Council.

Members consider and note the content of the Annual Internal Audit Plan for 2015/16 at Appendix C and make any relevant recommendations to Council

Officer contact:

For further information concerning this report, please contact:

Robert Hutchins, Head of Devon Audit Partnership Robert.hutchins@swdevon.gov.uk

Lisa Buckle, S.151 Officer and Finance Community of Practice Lead

1. BACKGROUND

1.1 The Accounts and Audit Regulations (latest 2011) and Section 54 of the Local Government Act 1972 provide the legal basis for the establishment of internal audit in local authorities. Paragraph 5 of the Act states that 'A relevant body shall maintain an adequate and effective system of internal audit of their accounting records and control systems'.

1.2 The 'CIPFA Application Note for the United Kingdom Public Sector Internal Audit Standards' defines Internal Audit:

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

1.3 The Standards require that the purpose, authority and responsibility of the service is set out in a Charter, an updated version of which is presented at this Committee meeting.

1.4 In addition, the Internal Audit Strategy states, at a high-level, how the Internal Audit service will be delivered and developed in accordance with the Terms of Reference. The Internal Audit Strategy 2015/16 accompanies this plan but under separate cover.

2. THREE YEAR INTERNAL AUDIT PLAN 2015/16 TO 2017/18.

- 2.1 A 3-year plan has been drawn up to cover the period 2015/16 to 2017/18; this is provided at Appendix A
- 2.2 As stated earlier, it is not possible, or an effective use of time and resources, to audit all areas each year and so the Head of Devon Audit Partnership is expected to prepare a longer term plan to show how higher risk areas will be subject to audit. To reflect the increased pace of change in local government, a three year plan has been prepared to cover the coming period; a 5-year plan had previously been prepared covering the period 2010/11 to 2014/15.
- 2.3 It is important to note that the internal audit plans (both three year and in-year) are not fixed and should be the subject of regular review to reflect changes in risk and any new challenges and threats faced by the Council.
- 2.4 The three year plan reflects the reduced level of internal audit resource following the T18 review; in simple terms resources have reduced from around 115 days per year (for the period 2010/11 to 2013/14) to around 100 days. The plan is designed to optimise the use of the limited and finite audit time available and enable the Head of Devon Audit Partnership to provide an opinion on the adequacy, effectiveness and reliability of the Council's system of internal control and governance framework, which will subsequently feed into the Annual Governance Statement.
- 2.5 The three year plan has been arrived at after preparing and risk assessing an "audit universe". The purpose of the universe is to identify all service areas, risks, systems, and expected and known changes, and to consider which areas should be subject to internal audit review.
- 2.6 As referred to above, it is most unlikely that any organisation will which to allocate internal audit resources at a level which will enable all auditable areas to be identified each year; as such a longer term plan is prepared to ensure key risks are audited over a three year period..

3 Audit Risk Assessment and Audit Plan

- 3.1 Appendix A provides the audit universe as identified in February 2015; the universe is subject to regular update and change.
- 3.2 After identifying the relevant systems and processes an assessment of risk is applied, based on a statistical methodology derived from an Institute of Internal Auditors approach. This takes account of:-
 - Expenditure – scale of spending and complexity with regards this spending
 - Income - scale of income and complexity with regards collecting this income

- Impact on the public, perceived political sensitivity and system changes in the recent past
 - When last audited and the overall assurance opinion from that audit
 - Impact of internal audit – can audit “add value” in this area?
- 3.3 The resulting risk score is shown in the second column of the table shown at Appendix A
- 3.4 However, when preparing the plan, regard must be taken of other factors that affect the overall assurance framework. Some systems or risk areas are expected to be subject to annual internal audit review regardless of the risk score (for example risk management processes, anti fraud and corruption arrangements); other areas, such as those referred to as significant financial systems, are expected to be audited on a regular, usually annual or bi-annual basis but may not be assessed as “high risk”. The plan is also affected by external influences such as the requirements to support the External Auditor or other inspection regimes.
- 3.5 Once areas referred to in 3.4 above have been accommodated and planned for a balance of resource will be available that should be allocated to address the remaining areas of highest risk. Not all high risk areas will be able to be covered in one year, and so the audit plan considers these risks over a three year basis. There are, however, a number of systems that have been scored at a lower risk level and are (currently) not subject to internal audit review in the coming three year period.
- 3.6 Internal Audit resources are then allocated to subject areas. These allocations will take account of the assessed risk, but the days of input are also subject to internal audit experience in “how long an effective audit should take”. Not all procedures or controls may be covered during the audit; the actual audit brief will be agreed, in advance, with the operational manager and will focus on those areas of concern / risk in that subject areas.
- 3.7 The overall percentage of internal audit coverage proposed for each area of the audit plan is represented in Appendix B.

4 Annual Audit Plan 2015/16 (Appendix C)

- 4.1 The 2015/16 annual plan has been developed from the 3-year Audit Plan
- 4.2 The 2015/16 audit plan also sets out the proposed audit resource allocated to each audit area, although in certain areas this will always be flexible. In normal circumstances the timing and detailed work plans will be drawn up following consultation with the client managers.

5. LEGAL IMPLICATIONS

5.1 In accordance with the Constitution, it is the responsibility of the Audit Committee to consider the internal audit plan for the forthcoming year (Appendix C).

5.2 There are no direct legal implications of the internal audit plan.

6. FINANCIAL IMPLICATIONS

6.1 There are no direct financial implications of the internal audit plan. The internal audit fees for the year are as budgeted.

7. RISK MANAGEMENT

7.1 The risk management implications follow this table:

Corporate priorities engaged:	The report meets all of the corporate priorities
Statutory powers:	Accounts and Audit Regulations 2011 Section 54 of the Local Government Act 1972
Considerations of equality and human rights:	There are no considerations required of equality and human rights for this report
Biodiversity considerations:	There are no biodiversity considerations for this report
Sustainability considerations:	There are no sustainability considerations for this report
Crime and disorder implications:	There are no crime and disorder considerations for this report
Background papers:	Internal Audit Charter and Strategy 2015/16
Appendices attached:	Appendix A – Proposed Three Year Internal Audit Plan 2015/16 to 2017/18 Appendix B – pictorial representation of Internal Audit resources by subject area over the proposed three year period 2015/16 to 2017/18 Appendix C - Proposed detailed internal Audit Plan for 2015/16.

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity relating to the provision of assurance to Members, managers and other stakeholders.	The audit plan and its coverage contribute to the Council's system of internal control and therefore provides reasonable assurance that service objectives will be met.	2	2	4	↔	<p>Audit plans include all areas of potential coverage and direct audit resources to the areas most beneficial to the Council, ensuring that the scarce audit resources are used in a way that provides the necessary assurance.</p> <p>The audit plan is reassessed through the year to compare emerging risks with the original risk assessment. Any emerging risk that is considered to require audit coverage during the year is included at the expense of the lowest priority areas.</p> <p>The revision is reported to senior managers, including the S.151 Officer, and Audit Committee.</p>	Head of Devon Audit Partnership and S.151 Officer
2	Opportunity relating to Internal Audit as a shared service	A shared internal audit service between South Hams and West Devon provides the opportunity for both Councils to employ a dedicated professional team at a reduced cost to the council tax payer.	2	2	4	↔	<p>Improved efficiency in audit coverage by aligning, where local circumstances permit, audit plans.</p> <p>Auditors are able to make use of research on a given topic for more than one audit, and share good practice observed with managers at both Councils.</p>	Head of Devon Audit Partnership and S.151 Officer

STRATEGIC RISKS TEMPLATE (continued)

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
3	Internal Audit forms part of the Council's system of internal control	The audit plan and its coverage may not contribute to the Council's system of internal control as required by the related guidance.	2	2	4	↔	<p>Identification of the Audit Universe and subsequent assessment of risk. The audit plan is presented for review and comment to senior managers (including the S.151 Officer), Audit Committee and the external auditor. The Audit Committee's role includes monitoring performance against the plan and action on significant issues identified. The audit plan is linked to the Council's priorities.</p>	Head of Devon Audit Partnership and S.151 Officer
4	Audit plans are risk based.	Audit plans do not direct audit resources to the areas most beneficial to the Council and so scarce audit resources are kept away from areas of high risk.	2	2	4	↔	<p>An assessment of risk was applied to an 'Audit Universe', based on a statistical methodology that took account of the:</p> <ul style="list-style-type: none"> • Value of transactions; • Complexity of the system; • Impact on Public & Political sensitivity; • Last audit and audit opinion 	Head of Devon Audit Partnership and S.151 Officer

Direction of travel symbols ↓ ↑ ↔

	Risk Factor Total	Priority High > 50, Med = 30 -50 Low < 30	Proposed 3 year Internal Audit Plan		
			2015/16	2016/17	2017/18
FUNDAMENTAL SYSTEMS					
MAIN ACCOUNTING SYSTEM, incl Trusts, Mortgages;	51	H	6	8	6
Budgetary control	62	H		6	
Banking arrangements (Cash collection - secondary system - see below)	44	M	5		5
PAYMENTS	32	M	10	10	10
PAYROLL	76	H	10	10	10
COUNCIL TAX COLLECTION incl Parish Precepts	54	H	10	10	10
NNDR	40	M	10	10	6
Housing Benefit Payments	46	M	10	5	1
Housing Benefit Administration	16	L			
TREASURY MANAGEMENT	22	L	5		5
CAPITAL EXPENDITURE	20	L			7
FUNDAMENTAL SYSTEMS			66	59	60
SECONDARY SYSTEMS					
Stores - stock control	15	L			5
Travel & subsistence	16	L		4	
Cash collection arrangements See also Banking arrangements above)	17	L	5		
Shared Services recharging	9	L		5	
VAT	53	H	10		
PETTY CASH incl Postage. Follaton to CSU, others by Service	7	L			2
CAPITAL RECEIPTS	25	L		5	
CORPORATE INVENTORIES	8	L			2
Insurance	12	L			5
Member allowances	11	L		4	

SECONDARY SYSTEMS			15	18	14
COMPUTER AUDIT	Annual		26	26	26
Including Security (inc. Penetration testing), Applications (new, version control) Back up and resilience Database Management Environment Controls Access control Back up and resilience Disaster recovery					
INTERNET MONITORING	Annual		4	4	4
E-MAIL MONITORING	Annual		4	4	4
COMPUTER AUDIT WORK			34	34	34
NON FINANCIAL/CORPORATE ARRANGEMENTS					
Performance Management – Performance Indicators	Annual		10	10	10
Performance Management - Data Quality	Annual		5	5	5
CORPORATE GOVERNANCE incl Gifts & Hospitality Register	Annual		5	5	5
ANNUAL GOVERNANCE STATEMENT	Annual		6	6	6
RISK MANAGEMENT - KEY RISKS ON THE RISK REGISTER - RISKS WITH A SCORE > 16 as at Jan 2015	Annual		15	15	15
- Meeting Community Expectations (Communications, planning applications)					
- Recycling - leaf sweeping - loss of revenue					
- Officer capacity to deliver Programmes and projects (including T18)					
- Senior Management Team Restructure					
- Building Regs - Building Control Partnership					
- South Hams BID					
T18 PROJECT	Annual		10	8	5
PROCUREMENT			10		
PARTNERSHIPS AND PARTNERSHIP MANAGEMENT				10	
FREEDOM OF INFORMATION / DATA PROTECTION incl RECORDS MAN.					10
ADVICE TO INFORMATION COMPLIANCE & OTHER GROUPS	Annual		5		
COMPLAINTS			5		
SHARED SERVICES					5
BUSINESS CONTINUITY / EMERGENCY PLANNING			5		
EXEMPTIONS FROM FINANCIAL REGULATIONS	Annual		5	5	5

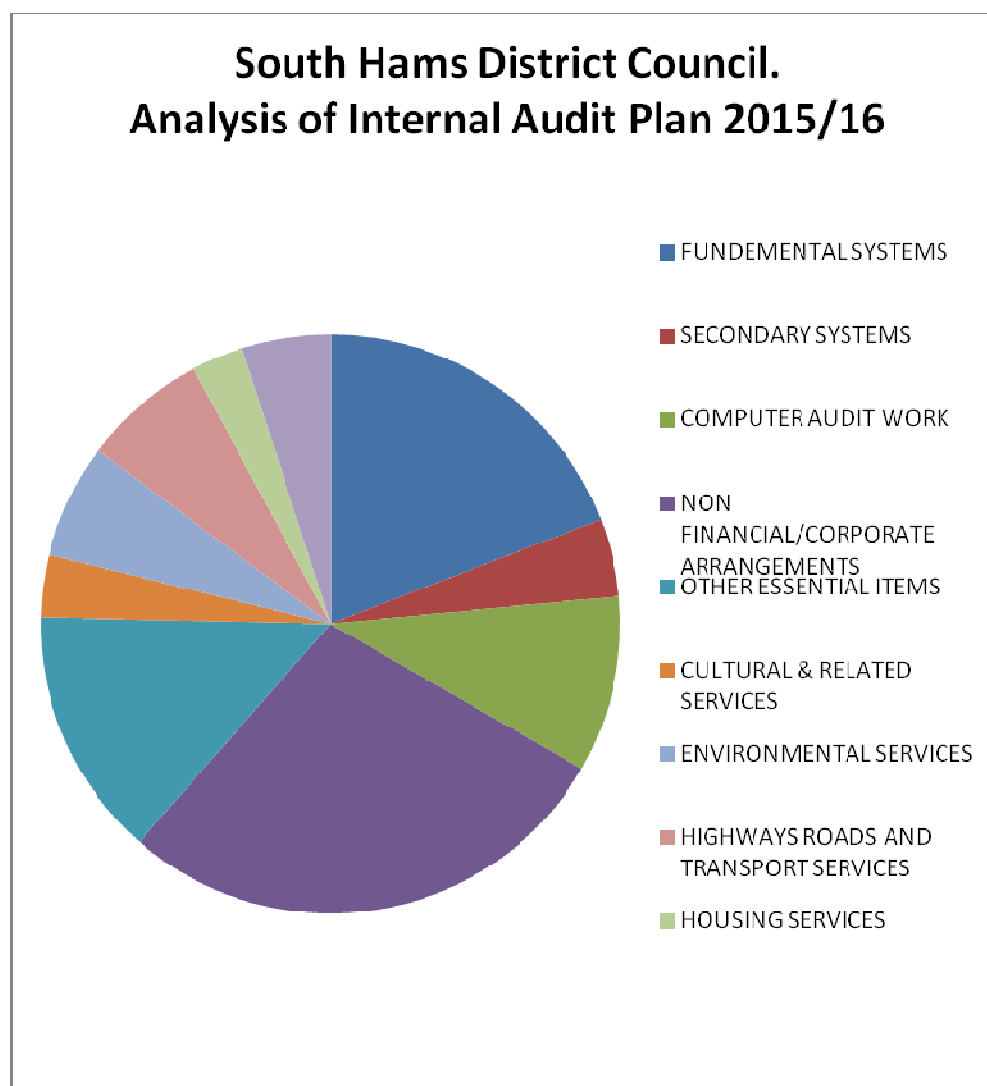
CULTURE AND ETHICS			6		
ELECTIONS				6	
SUSTAINABILITY					6
CONTRACTS AND CONTRACT MANAGEMENT				8	
SAFEGUARDING CHILDREN					8
FRAUD AND CORRUPTION			10	10	10
NON FINANCIAL/CORPORATE ARRANGEMENTS			97	88	90
OTHER ESSENTIAL ITEMS					
FOLLOW UP OF PREVIOUS YEAR'S AUDITS	Annual		10	10	10
AUDIT MANAGEMENT e.g.					
- Audit planning	Annual		3	3	3
- Attendance at Committee	Annual		5	5	5
- Monitoring Report / Annual Report	Annual		10	10	10
CONTINGENCY & ADVICE (min 20 days)	Annual		20	36	32
OTHER ESSENTIAL ITEMS			48	64	60
CULTURAL & RELATED SERVICES					
COUNTRYSIDE RECREATION AND MANAGEMENT	15	L			6
COMMUNITY PARKS AND OPEN SPACES	29	L		6	
CULTURE AND HERITAGE incl Events & Leaflets Sales	15	L		5	
OUTDOOR SPORTS AND RECREATION	26	L			5
LEISURE CENTRE CLIENT	36	M	10		
MARKETING AND TOURISM (Client only)	14	L	2		
CULTURAL & RELATED SERVICES			12	11	11
ENVIRONMENTAL SERVICES					
COMMUNITY SAFETY	11	L			
BEACH & WATER SAFETY	19	L			5
CEMETERIES & BURIALS	8	L			
COAST PROTECTION	18	L			5
HEALTH AND SAFETY AT WORK	19	L		8	

HOUSEHOLD WASTE COLLECTION (New, previously split)	37	M	7		
FOOD SAFETY	17	L			5
LICENSING	24	L			5
POLLUTION REDUCTION	19	L		5	
HOUSING STANDARDS	18	L		5	
FLOOD DEFENCE AND LAND DRAINAGE	12	L			
PUBLIC HEALTH, incl Water Sampling	13	L			
PEST CONTROL	15	L			
PUBLIC CONVENIENCES incl Disabled Toilet Keys	27	L			5
TRADE WASTE	35	M	5		
RECYCLING	43	M	5		
STREET & BEECH CLEANING	27	L		6	
GROUNDS MAINTENANCE	19	L	5		
ENVIRONMENTAL SERVICES			22	24	25
HIGHWAYS ROADS AND TRANSPORT SERVICES					
DARTMOUTH LOWER FERRY	51	H	8	8	8
CAR AND BOAT PARKING/STREET SCENE incl Dog Wardens	66	H	8	8	8
ON STREET PARKING (Now County function)	25	L			
TRANSPORT POLICY AND PUBLIC TRANSPORT	14	L			
SALCOMBE HARBOUR	50	H	8	8	8
HIGHWAYS ROADS AND TRANSPORT SERVICES			24	24	24
HOUSING SERVICES					
PRIVATE SECTOR HOUSING RENEWAL	39	M		10	
HOUSING ADVICE incl Choice Based Letting	25	L	5		
HOUSING STRATEGY & RSLs	16	L			10
HOMELESSNESS	35	M	5		
HOUSING ENABLING	0				
HOUSING SERVICES			10	10	10
PLANNING & DEVELOPMENT SERVICES					

BUILDING REGULATIONS incl. Other Building Control Work	29	L	7		
DEVELOPMENT CONTROL - ENFORCEMENT	20	L	10		
DEVELOPMENT CONTROL - PLANNING APPL/ADVICE, incl Listed Bldgs	41	M		8	
PLANNING POLICY incl S.106 Agreements	24	L		5	
ENVIRONMENTAL INITIATIVES (including AONB)	16	L			
PANNIER MARKETS	22	L			3
EMPLOYMENT ESTATES Inc review of Land & Investment Services	31	M			6
ECONOMIC DEVELOPMENT	15	L			
COMMUNITY DEVELOPMENT incl GRANTS & LOANS FUND	18	L			5
LAND AND INVESTMENT PROPERTIES (see Employment Estates above)	16	L			
PLANNING & DEVELOPMENT SERVICES			17	13	14
SUPPORT SERVICES					
Post Room	6	L			
Print Room	9	L			3
SUPPORT SERVICES			0	0	3
TOTAL AUDIT PLAN			345	345	345
AUDIT OF GOVERNMENT GRANTS - RDPE LEAF (LAGS)			30	30	30

South Hams District Council – Internal Audit Plan 2015/16

	2015/16
FUNDEMENTAL SYSTEMS	66
SECONDARY SYSTEMS	15
COMPUTER AUDIT WORK	34
NON FINANCIAL/CORPORATE ARRANGEMENTS	97
OTHER ESSENTIAL ITEMS	48
CULTURAL & RELATED SERVICES	12
ENVIRONMENTAL SERVICES	22
HIGHWAYS ROADS AND TRANSPORT SERVICES	24
HOUSING SERVICES	10
PLANNING & DEVELOPMENT SERVICES	17
SUPPORT SERVICES	0
TOTAL AUDIT PLAN	345



Appendix C

South Hams District Council - Internal Audit Plan 2015/16		<u>Allocated Days in 2015/16</u>
FUNDAMENTAL SYSTEMS		
MAIN ACCOUNTING SYSTEM, incl Trusts, Mortgages;		6
Banking arrangements (Cash collection - secondary system - see below)		5
PAYMENTS		10
PAYROLL		10
COUNCIL TAX COLLECTION incl Parish Precepts		10
NNDR		10
Housing Benefit Payments		10
TREASURY MANAGEMENT		5
FUNDEMENTAL SYSTEMS		66
SECONDARY SYSTEMS		
Cash collection arrangements See also Banking arrangements above)		5
VAT		10
SECONDARY SYSTEMS		15
COMPUTER AUDIT		26
INTERNET MONITORING		4
E-MAIL MONITORING		4
COMPUTER AUDIT WORK		34
NON FINANCIAL/CORPORATE ARRANGEMENTS		
Performance Management, PIs		10
Performance Management, DATA QUALITY		5
CORPORATE GOVERNANCE incl Gifts & Hospitality Register		5
ANNUAL GOVERNANCE STATEMENT		6
RISK MANAGEMENT - KEY RISKS ON THE RISK REGISTER - RISKS WITH A SCORE > 16 as at Jan 2015		15
T18 PROJECT		10
PROCUREMENT		10
ADVICE TO INFORMATION COMPLIANCE & OTHER GROUPS		5
COMPLAINTS		5
BUSINESS CONTINUITY / EMERGENCY PLANNING		5
EXEMPTIONS FROM FINANCIAL REGULATIONS		5
CULTURE AND ETHICS		6
FRAUD AND CORRUPTION		10
NON FINANCIAL/CORPORATE ARRANGEMENTS		97
OTHER ESSENTIAL ITEMS		
FOLLOW UP OF PREVIOUS YEAR'S AUDITS		10
AUDIT MANAGEMENT e.g.		

- Audit planning	3
- Attendance at Committee	5
- Monitoring Report / Annual Report	10
CONTINGENCY & ADVICE (20 days)	20
OTHER ESSENTIAL ITEMS	48
CULTURAL & RELATED SERVICES	
LEISURE CENTRE CLIENT	10
MARKETING AND TOURISM (Client only)	2
CULTURAL & RELATED SERVICES	12
ENVIRONMENTAL SERVICES	
HOUSEHOLD WASTE COLLECTION (New, previously split)	7
TRADE WASTE	5
RECYCLING	5
GROUNDS MAINTENANCE	5
ENVIRONMENTAL SERVICES	22
HIGHWAYS ROADS AND TRANSPORT SERVICES	
DARTMOUTH LOWER FERRY	8
CAR AND BOAT PARKING/STREET SCENE incl Dog Wardens	8
SALCOMBE HARBOUR	8
HIGHWAYS ROADS AND TRANSPORT SERVICES	24
HOUSING SERVICES	
HOUSING ADVICE incl Choice Based Letting	5
HOMELESSNESS	5
HOUSING SERVICES	10
PLANNING & DEVELOPMENT SERVICES	
BUILDING REGULATIONS incl. Other Building Control Work	7
DEVELOPMENT CONTROL - ENFORCEMENT	10
PLANNING & DEVELOPMENT SERVICES	17
TOTAL AUDIT PLAN	345
AUDIT OF GOVERNMENT GRANTS - RDPE LEAF (LAGS)	30

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AGENDA ITEM 10

SOUTH HAMS DISTRICT COUNCIL

AGENDA ITEM 10

NAME OF COMMITTEE	AUDIT COMMITTEE
DATE	12 March 2015
REPORT TITLE	INTERNAL AUDIT: CHARTER & STRATEGY – 2015/16
Report of	HEAD OF DEVON AUDIT PARTNERSHIP S.151 OFFICER
WARDS AFFECTED	ALL/CORPORATE

Summary of report:

The purpose of this report is to allow the Audit Committee to review and comment upon the Internal Audit Charter and Strategy for 2015/16.

For South Hams District Council (and West Devon Borough Council) internal audit management is provided by Devon Audit Partnership; the Head of Devon audit Partnership liaises with senior management and the audit committee on all internal audit matters.

The standards for proper practice for internal audit are contained in the Public Sector Internal Audit Standards (PSIAS) (Institute of Internal Auditors and CIPFA). The audit team work to a regularly updated Audit Manual which reflects these standards and sets out the procedures expected of the Council’s Internal Audit team.

Both the PSIAS and Audit Manual require that the Charter and Audit Strategy are presented to the Audit Committee for review and approval. These documents are discussed in this report, with the Charter attached at Appendix A and Audit Strategy at Appendix B.

Financial implications:

None, within the existing budget for internal audit.

RECOMMENDATIONS:

That the Audit Committee review and approve the Internal Audit Charter and Strategy 2015/16.

Officer contact:

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Lisa Buckle, S.151 Officer and Finance Community of Practice Lead

1. BACKGROUND

- 1.1 The Accounts and Audit Regulations, 2011 state that:
"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."
- 1.2 For the purposes of the Regulations, proper practice is that contained in the Public Sector Internal Audit Standards (PSIAS) and guidance as issued by the Chartered Institute of Public Finance & Accountancy (CIPFA) in their Local government Application Note (LGAN).
- 1.3 The audit team comply with a regularly updated Audit Manual which sets out the standards and procedures expected of the team.
- 1.4 The Public Sector Internal Audit Standards, the LGAN and Audit Manual require that the Charter and Audit Strategy are presented to the Audit Committee for review and approval.

2. INTERNAL AUDIT: CHARTER 2015/16 - Appendix A

- 2.1 The 2015/16 Charter reflects the CIPFA 'Local Government Application Note for the UK Public Sector Internal Audit Standards'.
- 2.2 The Charter reflects the following:

- Statutory Requirements;
- Internal Audit's Purpose, Authority and Responsibility;
- Ethics and Independence;
- Audit Management;
- Scope of Internal Audit's Work;
- Audit Reporting;
- Audit Committee;
- Quality Assurance and Improvement; and
- Non Conformance and Review.

3. INTERNAL AUDIT: STRATEGY 2015/16 - Appendix B

- 3.1 The Strategy is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities.

3.2 It should be kept up to date with the organisation and its changing priorities and communicate the contribution that Internal Audit makes to the organisation and include:

- Internal Audit objectives and outcomes;
- How the Head of Devon Audit Partnership will form and evidence his or her opinion on the governance, risk and control framework to support the system of Internal Control and Annual Governance Statement;
- How Internal Audit's work will identify and address significant local and national issues and risks;
- How the service will be provided, i.e. internally, externally, or a mix of the two; and
- The resources and skills required to deliver the Strategy.

3.3 The Charter says that the Strategy should be approved, but not directed, by the Audit Committee.

4. LEGAL IMPLICATIONS

4.1 Accounts and Audit Regulations 2011.

5. FINANCIAL IMPLICATIONS

5.1 None, within existing budgets.

6. RISK MANAGEMENT

6.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template, following these other considerations.

Corporate priorities engaged:	All
Statutory powers:	Section 111 Local Government Act 1972; and Accounts and Audit Regulations 2011.
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	IIA 2013 document - Applying the IIA International Standards to the UK Public Sector; CIPFA document - Local Government Application Note for the UK Public Sector Internal Audit Standards 2013; South Hams District Council & West

	Devon Borough Council Internal Audit Manual - 2014
Appendices attached:	Appendix A – Internal Audit Charter; Appendix B – Internal Audit Strategy 2015/16

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Requirements to provide an adequate and effective system of internal audit.	Audit's objectives and responsibilities may not reflect the Accounts and Audit Regulations requirements of providing an adequate and effective system of internal audit in accordance with the proper practices.	2	2	4	↔	<p>An Audit Charter and Manual documenting the audit responsibilities and processes are maintained and reflect the Public Sector Internal Audit Standards which set out the requirements that internal audit is expected to achieve.</p> <p>The Internal Audit Strategy presented to the Audit Committee annually is a high level statement of how the internal audit service will be delivered in accordance with the Charter.</p>	Head of Devon Audit Partnership
2	Opportunity	To provide an adequate and effective system of internal audit operating in accordance with the proper practices contributes to the overall control environment (system of internal control and governance framework) and the Annual Governance Statement.	2	2	4	↔	<p>An internal audit plan considering all areas of risk to the Council contributes to the overall governance, risk and control framework and the required Annual Governance Statement.</p>	Head of Devon Audit Partnership

Direction of travel symbols ↓ ↑ ↔



South Hams District Council

Internal Audit

Charter 2015/16

South Hams District Council **Internal Audit Charter 2015/16**

Statutory Requirements

The need for an Internal Audit Service is implied by the Local Government Act, 1972 (Section 151) which requires that:

"...every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs."

In South Hams District Council, the Finance Community of Practice (COP) Lead is currently the Section 151 Officer. One of the ways this duty is exercised is through the work of Internal Audit.

Specifically, the Accounts and Audit Regulations, 2011 state that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."

For the purposes of the Regulations, proper practice is that contained in the United Kingdom Public Sector Internal Audit Standards (PSIAS) and adherence to these standards is mandatory.

Internal Audit's Purpose, Authority and Responsibility

The Institute of Internal Auditor's 2013 document 'Applying the IIA International Standards to the UK Public Sector' defines internal audit as 'an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes'

To meet this definition, Internal Audit undertakes examinations of systems in order to:

- Establish the strengths and weaknesses in each system following a formal risk appraisal;
- Test the controls to establish whether they are reliable or not; and
- Report to management on the findings of such reviews in order to allow corrective action to be taken.

It is the responsibility of Internal Audit to review, appraise and report upon:

- The soundness, adequacy and application of internal control, risk management and corporate governance;
- The extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds arising from:

South Hams District Council **Internal Audit Charter 2015/16**

- a) fraud and other offences;
 - b) error; and
 - c) poor housekeeping, i.e. reviewing economy, efficiency and effectiveness with which resources are employed.
-
- The completeness, suitability, reliability and integrity of financial and other management information developed within the organisation (Data Quality);
 - The governance systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council or externally. These include in particular the Council's Contract and Financial Procedure Rules;
 - Risk management; and
 - Whether operations are being carried out as planned and objectives and goals are being met.

Right of Access

Internal Audit will be given right of access to all records, assets, personnel and premises, including those of partner organisations, and its authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. This right will be established in the Council's Financial Procedure Rules within the Constitution.

Ethics and Independence

Internal Audit should be independent of the activities that it audits.

Organisational Independence

The status of Internal Audit should enable it to function effectively. The support of the Council is essential and recognition of the independence of Internal Audit is fundamental to its effectiveness.

The Head of Devon Audit Partnership should have direct access to and freedom to report in his or her own name and without fear or favour to, all officers and members and particularly to those charged with governance (the Audit Committee). In the event of the necessity arising, the facility also exists for Internal Audit to have direct access to the Head of Paid Service, the S.151 Officer and the Chair of the Executive and/or the Audit Committee.

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence. Any delegation of budgets for Internal Audit to service level must not compromise the scope of Internal Audit or the ability of Internal Audit to provide an annual opinion to the Audit Committee as part of the assurance for the Annual Governance Statement.

South Hams District Council **Internal Audit Charter 2015/16**

Status of Internal Audit

The position of Internal Audit in the organisation should reflect the influence internal audit has on the control environment. Internal audit should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Ethics, and Independence of Auditors

Each Internal Auditor must adhere to the PSIAS Code of Ethics and perform their work with honesty, diligence and responsibility. They:

- Must have an objective attitude of mind and be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality;
- Notwithstanding employment by the Council, must be free from any conflict of interest arising from any professional or personal relationships or from any pecuniary or other interests in an activity or organisation which is subject to audit;
- Must be free from undue influences which either restrict or modify the scope or conduct of their work or significantly affect judgment as to the content of the internal audit report; and
- Must not allow their objectivity to be impaired by auditing an activity for which they have or have had responsibility.

Should any of the above situations arise the Head of Devon Audit Partnership should immediately be informed. A record of any interest shall be recorded in the Council's register of such interests. The Head of Devon Audit Partnership shall, thereafter, assess the need to arrange for alternative arrangements to carry out the assignment.

Should an internal audit contractor be used, steps will be taken to avoid or manage any perceived conflicts of interest e.g. using a contractor who also provides non internal audit services to the organisation will be either avoided or managed accordingly. A record of any interest shall be recorded in the Council's register of such interests.

Audit Management

The PSIAS describe the role of the chief audit executive:

For the Council the chief audit executive is the Head of Devon Audit Partnership, who will:

- Be appropriately qualified;
- Determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;

South Hams District Council **Internal Audit Charter 2015/16**

- Produce a Strategy to explain how the service will be delivered and reflect the resources and skills required by the Head of Devon Audit Partnership and auditors and how these have been assessed;
- Regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- Include in the plan the approach to using other sources of assurance if appropriate;
- Be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- Monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

The Head of Devon Audit Partnership is required to give an annual audit opinion on the governance, risk and control framework based on the audit work done.

The Head of Devon Audit Partnership should also have the opportunity for free and unfettered access to the Head of Paid Service. To ensure the independence of the Head of Devon Audit Partnership, performance assessments should be countersigned by the Head of Paid Service and feedback sought from the Chairman of the Audit Committee.

In addition the Head of Devon Audit Partnership will meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

The Scope of Internal Audit's Work

Management has the responsibility to assess risk and establish effective controls to mitigate this risk so that its activities are conducted in an efficient and well ordered manner.

The scope of Internal Audit work should cover the whole system of control, financial and otherwise, are established by management to:

- Safeguard its assets;
- Ensure reliability of records;
- Promote operational efficiency; and
- Monitor adherence to policies and directives.

If the Head of Devon Audit Partnership or the Audit Committee considers that the level of audit resources or the Charter in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal audit, they should advise the Council accordingly.

The scope of audit work extends to services provided through partnership arrangements.

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The Head of Devon Audit Partnership will decide, in consultation with all parties, whether Internal Audit staff conduct the work to derive the required assurance themselves or rely on the assurances provided by other auditors. Where necessary, the Head of Devon Audit Partnership will agree appropriate access rights in order to obtain the necessary assurances.

Audit Planning

Internal audit work must be adequately planned, controlled and resourced in order to achieve the agreed objectives, to establish audit priorities and to ensure the effective use of audit resources.

The Head of Devon Audit Partnership will prepare a risk-based audit plan designed to implement the Audit Strategy.

In preparing the plan, the Head of Devon Audit Partnership should take account of the adequacy and outcomes of the organisation's governance, risk management, performance management and other assurance processes. Where the outputs from those processes are not judged to be sufficiently reliable, the Head of Devon Audit Partnership should undertake his or her own risk assessment and consult stakeholders on the draft plan and revise the plan if appropriate.

Internal Audit plans will, in so far as is practicable, link back to the Council's corporate objectives, be coordinated with other internal review programmes and assurance streams, and be communicated to the senior management team and Audit Committee.

Other Work - Consultancy

Internal Audit may also, where the resources and appropriate skills allow, provide additional services, including fraud-related and consultancy work. These services apply the professional skills of Internal Audit through a systematic and disciplined approach in line with the principles of the Council's Internal Audit Manual and may contribute to the opinion that Internal Audit provides on the governance, risk and control framework.

The Head of Devon Audit Partnership must have regard to the impact on the approved audit plan and any potential conflicts of interest. The S.151 Officer must be informed and agree that such services are to be provided. Significant additional consultancy services not already included in the Audit Plan must also be approved by the Audit Committee.

Fraud and Corruption

It is management's responsibility to maintain the internal control system and to ensure that the organisation's resources are properly applied in the manner and

South Hams District Council **Internal Audit Charter 2015/16**

on the activities intended. This includes responsibility for managing the risk of fraud and other illegal acts and informing the Head of Devon Audit Partnership when fraud is suspected or identified.

The Head of Devon Audit Partnership will feed such information into the audit team's work programme and the opinion on the governance, risk and control framework as appropriate. Internal Audit shall have regard to the possibility of such malpractice during their work and shall seek to identify serious defects in internal control, which might permit the occurrence of such an event.

However, Internal Audit has no responsibility for the prevention of fraud except for providing a counter fraud resource within the audit plan. Audit procedures cannot guarantee fraud or corruption will be prevented or detected.

Internal Audit will also act upon reports issued to it via the Council's Confidential Reporting (Whistleblowing) Policy.

Internal Audit shall upon discovery or upon gaining firm evidence, report reasonable suspicions to the appropriate level of management. The Council's Anti Fraud, Corruption and Bribery Policy and Strategy & related response plan requires that any suspected fraud or irregularity is reported to the Head of Finance & Audit for further investigation, and to the Monitoring Officer.

Once Internal Audit has completed its investigation it is management's responsibility, through reference if necessary to the Code of Conduct, to determine what further level of action to take and to ensure that controls are strengthened.

The framework for Internal Audit's involvement in fraud investigation and prosecution is set out in the Council's approved Anti Fraud, Corruption and Bribery Policy and Strategy.

Audit Reporting

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the control environment and risk exposure and to prompt management to implement agreed actions.

Internal Audit should have direct access and freedom to report in their own name and without fear or favour to, all officers and members, particularly to those charged with governance (the Audit Committee).

Reports should be accurate, clear, concise, and constructive. They should be issued promptly and within laid-down timescales.

The aim of every Internal Audit report should be:

South Hams District Council **Internal Audit Charter 2015/16**

- To give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment;
- To prompt management to implement the agreed actions for change leading to improvement in governance, risk management, the control environment and performance; and
- To provide a formal record of points arising from the audit and, where appropriate, of agreements reached with management, together with appropriate timescales.

Audit Committee

The Council's Audit Committee will act as the Board as defined in the United Kingdom Public Sector Internal Audit Standards (PSIAS),

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Delegation Scheme) under three headings: Audit Activity; Internal Control and Financial Reporting.

The shared interests of the Audit Committee and Internal Audit suggest that there needs to be an effective working relationship between them.

That relationship has three elements:

- The approval (but not direction) of, and monitoring of progress against, the internal audit strategy and plan;
- Using the results of Internal Audit's work to satisfy some of the Audit Committee's objectives (and vice versa); and
- Aligning the operations of the Committee and Internal Audit, as far as possible without compromising their individual responsibilities, to make best use of resources.

The Head of Devon Audit Partnership must balance being appropriately accountable to the Committee, helping the committee to be effective, with relationships with others e.g. the S.151 Officer.

To facilitate the work of the Committee, the Head of Devon Audit Partnership will:

- Attend its meetings, and contribute to the agenda;
- Participate in the Committee's review of its own remit and effectiveness;
- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- Report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;

South Hams District Council **Internal Audit Charter 2015/16**

- Present an annual report on the effectiveness of the system of internal audit; and
- Present an annual internal audit report including an overall opinion on the governance, risk and control framework, and a summary of any unresolved issues.

The Head of Devon Audit Partnership should also have the opportunity to meet privately with the Audit Committee.

Quality Assurance and Improvement Programme

The PSIAS states that a quality assurance and improvement programme must be developed; the programme should be informed by both internal and external assessments.

The basis for internal assessments is set in the Strategy at Appendix B.

External assessments must be conducted at least once in five years by a qualified, independent assessor from outside of the Council. The Head of Devon Audit Partnership must discuss any proposals with the Audit Committee but the assessment may be in the form of full external assessment, or a self assessment with independent external validation.

The scope of any external review must be agreed in advance with the S.151 Officer or Chairman of the Audit Committee, and may also cover the work of the Audit Committee itself.

The results will be reported to the Audit Committee in the Head of Devon Audit Partnership's annual report, as well as progress against any improvement plan.

Charter - Non Conformance and Review

Any instances of non conformance with the Internal Audit Definition, Code of Conduct or the Standards must be reported to the Audit Committee, and in significant cases consideration given to inclusion in the Annual Governance Statement.

The Head of Devon Audit Partnership will advise the Audit Committee on behalf of the Council on the content of the Charter and the need for any subsequent amendment. The Charter should be approved and regularly reviewed by the Audit Committee.



South Hams District Council

Internal Audit

Strategy 2015/16

South Hams District Council **Internal Audit Strategy 2015/16**

Introduction

The Accounts and Audit Regulations 2011 state that:

"A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices."

For the purposes of the Regulations, proper practice is that contained in the Public Sector Internal Audit Standards (PSIAS).

The PSIAS refers to the role of Chief Internal Auditor, and requires this officer to ensure and deliver a number of key elements to support the internal audit arrangements. For South Hams District Council, the role of Chief Internal Auditor is provided by the Head of Devon Audit Partnership via a contracted arrangement.

The PSIAS require the Head of Devon Audit Partnership to produce an Audit Strategy, which:

- Is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
- Will communicate the contribution that Internal Audit makes to the organisation and should include:
 - Internal Audit objectives and outcomes;
 - How the Head of Devon Audit Partnership will form and evidence his or her opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - How Internal Audit's work will identify and address significant local and national issues and risks;
 - How the service will be provided, i.e. internally, externally, or a mix of the two; and
 - The resources and skills required to deliver the Strategy.
- Should be approved, but not directed, by the Audit Committee.

The Strategy should be kept up to date with the organisation and its changing priorities.

Internal Audit Objectives and Outcomes

The primary objective of the Internal Audit team is to provide an independent and objective opinion to the Council on the governance, risk and control framework by evaluating its effectiveness in achieving the organisation's objectives through examining, evaluating and reporting on their adequacy as a contribution to the proper, economic, efficient use of resources.

To achieve this primary objective, the Council's Head of Devon Audit Partnership aims to fulfil the statutory responsibilities for Internal Audit by:

- Identifying all of the systems, both financial and non financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- Creating an audit plan that will enable Internal Audit to carry out reviews covering all of the Audit Universe over a period of 3-years, prioritised through a risk assessment;
- Translating the 3-year audit plan into an annual plan by reassessing the risk for each audit area against emerging risks and the Council's Risk Registers;
- Undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- Providing managers with an opinion on and recommendations to improve the effectiveness of risk management, control and governance processes as to:
 - The extent to which the Council's assets and interests are accounted for and safeguarded from losses of all kinds;
 - The completeness, suitability, reliability and integrity of financial and other management information developed within Council (Data Quality);
 - The systems established to ensure compliance with policies, plans, procedures, laws and regulations, i.e. rules established by management of the Council or externally. These include in particular the Council's Contract and Financial Procedure Rules; and
 - Whether operations are being carried out as planned and objectives and goals are being met.
- Providing managers with advice and consultancy on risk management, control and governance processes;
- Liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- Providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the System of Internal Control and Annual Governance Statement.

Opinion on the Governance, Risk and Control Framework

As stated above one of the key objectives of Internal Audit is to communicate to management within the Council information that provides an independent and objective opinion on their governance, risk and control framework, and to prompt management to implement agreed actions.

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. For routine work a written monthly report highlighting the 'opinions' communicated to managers and the performance of the Internal Audit team is to be provided by the Head of Devon Audit Partnership copied to this officer. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership must report progress against the annual audit plan and any emerging issues and risks to the Audit Committee (quarterly) in a format agreed between the parties.

The Head of Devon Audit Partnership must also provide a written annual report to the Audit Committee timed to support their recommendation to approve the Annual Governance Statement to the Council.

The Head of Devon Audit Partnership's annual report to the Audit Committee must:

- (a) Include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) Present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) Draw attention to any issues the Head of Devon Audit Partnership judges particularly relevant to the preparation of the Annual Governance Statement;

And for the system of internal audit:

- (e) Compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) Comment on compliance with these standards and communicate the results of the internal audit quality assurance programme.

Planning including Local and National Issues and Risks

The audit planning process is subject to a risk assessment at all stages of the process: the 3-year plan; annual plan and individual audit reviews.

Prioritising the 3-year plan is completed using a risk assessment scoring methodology that takes account of: the £k value; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This forms the basis of the resources allocated to each planned audit area.

Updating the original risk assessment above to create an annual audit plan includes taking account of emerging risks, both local and national, through consideration of the:

- Council's Risk Registers;
- Minutes of the Council, other related committees and Senior Management Team;
- Issues arising from the previous year's audit reviews, including those covering the Risk Management and Corporate Governance frameworks (Annual Governance Statement);
- National issues highlighted by professional bodies such as CIPFA's Finance Advisory Network (FAN), National Anti Fraud Network (NAFN) or the Council's external auditor; and
- Liaison with other Internal Audit teams on a formal and informal basis.

Further planning and risk assessment is required at the commencement of each individual audit review to establish the scope of the audit and the level of testing required.

This considers:

- The objectives of the activity being reviewed;
- When it was last audited, the results of that review and whether the recommendations made have been implemented;
- Any changes to the system since the last audit;
- The results of an analytical review (comparison of the data for the year of audit with the previous year's equivalent, taking account of expected changes);
- The inherent risk: the level of risk to the Council of the system if there were no controls in place, such as the vulnerability to fraud and if there are any known incidents of fraud, and the means by which the potential impact of risk is kept to a minimum;
- The quality, experience and morale of officers involved in the system; and
- Impact on the control environment of service reviews by managers and the results of any relevant performance indicators.

South Hams District Council **Internal Audit Strategy 2015/16**

Provision of Internal Audit

The Internal audit for South Hams District Council is provided by way of a shared service arrangement with West Devon Borough Council.

The Internal Audit service is managed through a contractual arrangement with the Devon Audit Partnership. Audit delivery is predominantly delivered by a small team of in-house auditors. Past benchmarking of the cost of Internal Audit when compared with other Councils has shown that it is a cost effective service that continues to meet the requirements of its stakeholders.

The Head of Devon Audit Partnership has established policies and procedures in an Audit Manual to guide staff in performing their duties and complying with the latest available PSIAS guidance. The manual is regularly reviewed and updated to reflect changes in working practices and standards.

Internal Audit Performance Management and Quality Assurance

External performance assessment is discussed in the Charter at Appendix A.

The PSIAS and the Council's Audit Manual state that internal performance, quality and effectiveness should be assessed at two levels:

- For each individual audit; and
- For the Internal Audit service as a whole.

The documents also state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework to demonstrate that the Internal Audit service is:

- (a) Meeting its aims and objectives;
- (b) Compliant with the PSIAS;
- (c) Meeting internal quality standards;
- (d) Effective, efficient, continuously improving; and
- (e) Adding value and assisting the organisation in achieving its objectives.

This internal performance management and quality assurance framework must include, but not be limited to:

- A comprehensive set of targets to measure performance, developed in consultation with appropriate parties. Performance measures should be included in any service level agreement. The Head of Devon Audit Partnership should measure, monitor and report appropriately on the progress against these targets;
- Seeking user feedback for each individual audit and periodically for the whole service;
- A periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;

South Hams District Council
Internal Audit Strategy 2015/16

- Internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self assessment); and
- An action plan to implement improvements.

The following table shows the key performance indicators used by the service.

Table 1: Internal Audit Key Performance Indicators

	<u>Current Target, and, Frequency of Measure</u>
➤ Achievement of the annual audit plan.	95% Quarterly
➤ Percentage of draft audit reports issued within 10 working days of the completion of the audit.	95% Annually
➤ Percentage of final audit reports issued within 10 working days of the discussion and agreement of the draft audit report.	95% Annually
➤ Customer Survey: Responses Received; Audit Planning - Consultation; Objectives Quality of Audit Report - Clarity; Accuracy; Value; Presentation	90% Annually 90% Annually
➤ Communication - Feedback; Helpfulness; Professionalism; Timeliness.	90% Annually
➤ Overall cost, with/without oncosts/recharges	£ Annually
➤ Average cost per audit day: direct costs, and with/without oncosts/recharges.	£ Annually £ Annually
➤ The percentage of audit reports where the agreed recommendations were satisfactorily actioned, or follow up indicator to align with other audit teams to be agreed later with the Chairman and reported to the Committee.	90% Annually

Once collated the indicators must be reported to the S.151 Officer on either a quarterly or annual basis in line with collection and to the Audit Committee quarterly and/or annually. Performance indicators should be presented with prior year's equivalent to aid comparison.

Performance indicators or targets may be amended from time to time with the prior agreement of the Audit Committee.

The Head of Devon Audit Partnership needs to ensure that the performance and the effectiveness of the service improve over time, in terms of both the achievement of targets and the quality of the service provided to the user.

South Hams District Council **Internal Audit Strategy 2015/16**

Resources and Skills

Resources

The PSIAS and the Council's Audit Manual states that:

- Internal Audit must be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives, or have access to the appropriate resources;
- The Internal Audit service shall be managed by an appropriately qualified professional with wide experience of internal audit and of its management; and
- The Head of Devon Audit Partnership should be of the calibre reflecting the responsibilities arising from the need to liaise with members, senior management and other professionals, and be suitably experienced.

The Internal Audit team, shared with South Hams District Council consists of 2 whole time posts; the team is managed through a contractual arrangement with the Devon Audit Partnership.

Specialist Areas

From time to time, additional resources will be brought in to provide assurance on certain specialist areas such as Value Added Tax (VAT) and Income Tax (PAYE) at the discretion of the S.151 Officer in consultation with the Head of Devon Audit Partnership.

Dealing with Resource Issues (such as instances of Alleged Fraud and Corruption).

The main threat to completing the targeted % of the annual audit plan is the requirement for Internal Audit to investigate fraud. A contingency budget is built into the audit plan to provide cover for such eventualities, as well as other unexpected tasks such as advice to managers on control or internal financial regulations, contributions to the setting up of new systems or unexpected additional work on planned audits.

In extreme cases the contingency budget may prove insufficient for large scale investigations. In the circumstances where this occurs and where there is likely to be an impact on the remainder of the annual audit, the Head of Devon Audit Partnership must discuss the situation with the S.151 Officer to enable a decision to be made. Such a decision may be to seek additional temporary resources, to defer audits to a future year or other solutions. The same comment applies to other staffing shortages brought about by long term sickness absence, vacant posts etc.

Skills

The Head of Devon Audit Partnership's duty is to recruit staff with the appropriate professional background, personal qualities and potential. He or she is responsible for

South Hams District Council **Internal Audit Strategy 2015/16**

ensuring that up-to-date job descriptions exist that reflect roles and responsibilities and that person specifications define the required qualifications, competencies, skills, experience and personal attributes.

Internal Audit staff must also be properly trained to fulfil all their responsibilities. The Head of Devon Audit Partnership will periodically assess individual auditors against these predetermined skills and competencies using the Council's formal appraisal system.

Any training or development needs identified will be included in an appropriate ongoing development programme that is recorded and regularly reviewed and monitored both within and outside of the appraisal process. A copy of the appraisal training programme will be sent to personnel with the appraisal as the corporate system requires.

Time will be allowed within the annual audit plan to allow internal audit staff to receive the relevant training.

In addition, the Head of Devon Audit Partnership will allocate work to reflect the skills and experience required for the specific task, although it is essential that a balance is struck between knowledge and client relationships built through continuity and the need for audit staff to develop by auditing areas that they have not previously covered.

In some circumstances, there may be a skill shortage within the Internal Audit team as a whole e.g. specialist audit areas such as technical computer audit. Where this applies the advice of specialists should be sought from within the Council, from colleagues at Devon Audit Partnership or other neighbouring Councils or the external auditor.

In extreme situations, the services of a specialist may need to be bought in but the Head of Devon Audit Partnership will only do this with the consent of the S.151 Officer. The Audit Committee will be informed in such cases.

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AGENDA
ITEM

11

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM

11

NAME OF COMMITTEE	Audit Committee
DATE	12 March 2015
REPORT TITLE	Annual Review of the Council's Constitution
REPORT OF	Monitoring Officer
WARDS AFFECTED	All

Summary of report:

To consider a report to ensure that the Constitution is amended to reflect the changes that have either occurred in the Council over the previous year, or to implement any necessary changes to ensure that it is up to date, lawful and reflects the Council's current practices.

Financial implications:

There are no financial implications arising from this report.

RECOMMENDATION:

That the Committee RECOMMENDS to Council that the amendments to the South Hams District Council Constitution 2015 (as summarised in paragraph 2.2 of the report and fully outlined on the website) be approved.

Officer contacts:

Catherine Bowen, Monitoring Officer (cbowen@westdevon.gov.uk 01822 813600).

1. BACKGROUND

- 1.1 It is a constitutional requirement whereby each year, the Council (at its annual meeting) must formally adopt its Constitution for the forthcoming municipal year.
- 1.2 Changes to the Constitution are made throughout the year by the Council and through its consideration of recommendations arising from Committee minutes. Typical examples of such changes include:

- the interim delegation scheme to ensure lawful decisions are made during the transition period of T18
 - the re-designation of officer roles in light of the T18 changes
 - changes to the number of Executive members from May 2015
 - changes to the total number councillors following the Boundary Commission Review (effective from May 2015)
- 1.3 Such changes are effective from the date of approval and are made by the Monitoring Officer. In addition, the Monitoring Officer also has delegated authority to make minor (or legal) amendments to the Constitution during the course of the year. For clarity, these changes are made during the course of the year and are not shown as proposed amendments at this time.
- 1.4 The Council Constitution is fully updated every spring for consideration by the Audit Committee to ensure that it is ready for adoption by Council at its Annual Meeting.

2. THE PROPOSED AMENDMENTS

- 2.1 As part of the annual review, officers are suggesting some amendments to the Constitution; due to the large size of the Constitution, it has not been circulated with the agenda, but is available on request by contacting Member Services (member.services@southhams.gov.uk).
- 2.2 The main changes proposed to the Constitution are summarised as below:
- 2.2.1 **Overview & Scrutiny Panel:** changes have been made to Part 2 Article 5; Part 3 Delegation Scheme and Part 4 Scrutiny Procedure Rules to reflect Council's agreement (December 2014) to replace the three current Scrutiny Panels with one Overview & Scrutiny Panel. Further consequential amendments have been made throughout the Constitution to reflect the change to the single Panel.
- 1.2.2 There is no continuing need for the **Programming Panel** for the three Scrutiny Panels as all necessary mechanisms covered by the Programming Panel are set out on the Scrutiny Procedure Rules. References to the Programming Panel have therefore been deleted.
- 1.2.3 Part 7: Management Structure – this will be revised and attached to the Constitution following the finalisation of the T18 Structure.
- 2.3 The Contract Procedure Rules were reviewed in 2014 and the Financial Procedure Rules were reviewed in 2013 but it is recommended that a further review of both of these sets of rules be conducted during 2015/16 to ensure that they remain relevant following the finalisation of the new T18 structure. A report will be accordingly presented to a future Committee meeting.

3. LEGAL IMPLICATIONS

- 3.1 The Local Government Act 2000 requires the Council to have (and to maintain) a Constitution.

3.2 The Monitoring Officer must review the Constitution annually and make recommendations to the Audit Committee, who in turn must recommend its adoption to full Council. Only the Council can approve and adopt the Council's Constitution.

4. FINANCIAL IMPLICATIONS

4.1 There are no financial implications to this report

5. RISK MANAGEMENT

5.1 The risk management implications are shown at the end of this report in the Strategic Risk Template:

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	All
Considerations of equality and human rights:	None directly arising from this report
Biodiversity considerations:	None directly arising from this report
Sustainability considerations:	None directly arising from this report
Crime and disorder implications:	None directly arising from this report
Background papers:	The suggested amendments to the Constitution

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Fit for purpose Constitution	Failure to review the Constitution and approve the changes may lead to unlawful decisions being taken.	2	2	4	↔	The Council undertakes an annual review of the Constitution to ensure that it is up to date and reflects current practice and law.	Monitoring Officer

Direction of travel symbols ↓ ↑ ↔

AGENDA
ITEM
12

SOUTH HAMS DISTRICT COUNCIL

AGENDA
ITEM
12

NAME OF COMMITTEE	Audit Committee
DATE	12 March 2015
REPORT TITLE	Update on Indicators from the Audit Commission's Value for Money Profile Tool
Report of	Finance Business Partner
WARDS AFFECTED	All

Summary of report:

The purpose of this report is to update Members on the latest indicators available from the Audit Commission's Value for Money Profile Tool.

This is following questions that were raised by Members at the Audit Committee meeting in January 2015, regarding Grant Thornton's Value for Money Report (Item 5 on the agenda), where Members requested further information on a couple of indicators to be reported to the next meeting.

Financial implications:

There are no direct financial implications to this report.

RECOMMENDATIONS:

That the Audit Committee notes the content of the report.

Officer contact:

Pauline Henstock, Finance Business Partner.
pauline.henstock@swdevon.gov.uk

- 1. Key indicators for Spend on Housing Benefit and Council Tax Benefit administration, and Total net Spend.**

- 1.1 Grant Thornton presented their report on Value for Money to the January 2015 Audit Committee. This paper provided key indicators for South Hams District Council from the Audit Commission's Value for Money profile tool.
- 1.2 At the January 2015 Audit Committee, Members raised specific concerns regarding the indicators for (a) Spend on council tax benefits and housing benefits administration per head and (b) Total net spend per head, which both appeared relatively high. It was also noted that the source data used by the Audit Commission was from 2012/13. Grant Thornton advised that this was the latest data available but expected the 2013/14 figures to be published on the Audit Commission's website soon.
- 1.3 The 2013/14 data is now available and the updated figures for the specific indicators are shown in Appendix A. It is pleasing to note that these indicators have all moved in a favourable direction. For example, **net spend on Housing benefit and Council tax benefit administration** has reduced considerably (42%) and is now below average when compared to other district councils. South Hams net spend was £6.18 per head in 2013/14 compared to the district average of £6.45.
- 1.4 **Total net spend per head** has come down by 3% to £403.53 which is almost equal to the District Council average net spend for 2013/14 of £401.49.

2. Tourism indicators

- 2.1 In addition, Members were keen to see how South Hams compared to other Districts in terms of tourism income and expenditure.
- 2.2 The latest tourism indicators are shown in the lower part of the table in Appendix A. They are as follows:

- **Income for arts, tourism and the historic environment as a percentage of spend** – this shows that South Hams's income proportion (32%) is very near to the district average of 29.18%. This has increased substantially in 2013/14 due to a reduction in expenditure (see below).
- **Spend on tourism per head** – this has reduced by 61% between 2013/14 and 2012/13 due to a reduction in the contribution to Visit South Devon and lower staffing costs. The Council no longer requires a seat on the Board of Visit South Devon and has therefore withdrawn financial support to them.

South Hams spent £0.30 per head on tourism in 2013/14 compared to the district average of £2.02 per head. A breakdown of the net expenditure on tourism can be found in Appendix B. This includes the actual tourism costs for the last 2 years and the projected outturn for 2014/15 compared to budget.

3. LEGAL IMPLICATIONS

- 3.1 Statutory powers: Accounts and Audit Regulations 2011 etc.
Local Audit and Accountability Act 2014

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications to this report.

5. RISK MANAGEMENT

- 5.1 The risk management implications follow these considerations:

Corporate priorities engaged:	All
Statutory powers:	Accounts and Audit Regulations 2011 Local Audit and Accountability Act 2014
Considerations of equality and human rights:	No specific equality and human rights issues arising from this report.
Biodiversity considerations:	No specific biodiversity issues arising from this report.
Sustainability considerations:	No specific sustainability issues arising from this report.
Crime and disorder implications:	No specific crime and disorder issues arising from this report.
Background papers:	Audit Committee 8 January 2015: Agenda Item 5: Grant Thornton Report on Value for Money for South Hams District Council.
Appendices attached:	Appendix A: Key indicators – Audit Commission Value for Money Profiles. Appendix B: Marketing and Tourism expenditure and income.

STRATEGIC RISKS TEMPLATE

No	Opportunity Title	Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
1	Opportunity to fully understand the results from the VFM Profile tools	Risk of mis-interpretation of the results of the Value for Money Profile tools	4	2	8	↓	Further analysis of the results, with an update to reflect the 2013/14 data has assisted in the evaluation of the results.	S151 Officer

Direction of travel symbols ↓ ↑ ↔

Key indicators – Audit Commission Value for Money Profiles						
Indicator	Period	Value	% change	DoT	Rank (Percentile)	Average for district councils
<u>Housing Benefit and Council Benefit, and Net Spend indicators</u>						
Average number of housing benefit claimants (yearly)	2013/14	4,926	-2%	↓	In the lowest third	6,524
Net spend on housing benefits administration and prior to 2013/14 council tax benefits administration per head	2013/14	£6.18 per head	-42%	↓	In the middle third	£6.45 per head
Total net spend per head	2013/14	£403.53 per head	-3%	↓	In the middle third	£401.49 per head
<u>Tourism indicators</u>						
Income for arts, tourism and historic environment as a percentage of spend	2013/14	32.00%	188%	↑	In the middle third	29.18%
Spend on tourism per head	2013/14	£0.30 per head	-61%	↓	In the middle third	£2.02 per head

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Marketing and Tourism						
	Actual	Actual	Budget	Projection	Variance	Notes
	2012/13	2013/14	2014/15	2014/15	2014/15	
	£	£	£	£	£	
Employees	12,604	2,509	-	-	-	
Premises Related Expenditure	1,157	344	-	-	-	
Supplies and Services	40,753	20,127	15,000	-	(15,000)	The Council no longer requires a seat on the Board of Visit South Devon and is therefore withdrawing financial support to them.
Transport Related Expenditure	1,883	87	-	-	-	
TOTAL OPERATING COSTS	56,396	23,067	15,000	-	(15,000)	
Income	(7,020)	(7,414)	(7,100)	(7,100)	-	
NET OPERATING COSTS	49,376	15,653	7,900	(7,100)	(15,000)	
Support Services	6,093	1,273	600	600	-	
IAS 19	1,000	300	2,600	-	(2,600)	An accounting adjustment relating to Pensions
Capital Charges	2,173	2,173	2,200	2,200	-	
NET SERVICE EXPENDITURE	58,642	19,399	13,300	(4,300)	(17,600)	

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**MINUTES OF A MEETING OF THE AUDIT COMMITTEE
HELD AT FOLLATON HOUSE, TOTNES ON THURSDAY 12 MARCH 2015**

Members in attendance * Denotes attendance ∅ Denotes apology for absence			
*	Cllr I Bramble	*	Cllr L P Jones
*	Cllr C G Bruce-Spencer (Vice Chairman)	*	Cllr J T Pennington (Chairman)
∅	Cllr A S Gorman		

Members in attendance and participating
Cllrs H D Bastone, P W Hitchins and L A H Ward

Members in attendance and not participating
None

Item No	Minute Ref No below refers	Officers and Visitors in attendance
All Items		Group Manager – Support Services, S151 Officer, Head of Devon Audit Partnership, Monitoring Officer, Democratic Services Manager, Specialist Auditor, Grant Thornton Audit Manager and Grant Thornton Engagement Lead

A.30/14 MINUTES

The minutes of the meeting held on 8 January 2015 were confirmed as a correct record and signed by the Chairman.

A.31/14 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.32/14 AUDIT COMMITTEE UPDATE – REPORT OF GRANT THORNTON

The Committee was presented with a report from Grant Thornton that provided it with a report on progress in delivering on its responsibilities and also included:-

- a summary of emerging national issues and developments that could be relevant to the Council; and

- a number of challenging questions in respect of those emerging issues which the Committee may wish to consider.

In discussion, reference was made to:-

- (a) the Grant Thornton publications. The Grant Thornton representatives highlighted the importance of these publications and advised that copies were available for the Committee and the wider Council membership. The representatives also highlighted the comments contained whereby district councils were responding better to the financial climate in comparison to county councils and single tier authorities;
- (b) the Kerslake report on Birmingham City Council. The Committee requested that the S151 Officer present a report back to its next meeting on the potential implications for the Council arising from this report;
- (c) the Local Government governance review 2015. Members noted that 43% of those surveyed felt that scrutiny committees were not challenging enough about the way authorities conducted their business;
- (d) police and crime commissioners. The Committee had sympathy with 49% of those surveyed who felt that the transition to police and crime commissioners had not had a positive impact on local partnership working arrangements.

It was then:

RESOLVED

That the report be noted.

A.33/14

THE AUDIT PLAN FOR SOUTH HAMS DISTRICT COUNCIL

The Committee considered Grant Thornton's report that presented the Audit Plan for the Council.

In discussion, the following points were raised:-

- (a) Grant Thornton representatives emphasised the significant risk that they had identified in relation to the redundancy provision at 31 March 2015 being understated. The representatives proceeded to inform that they had held detailed discussions with officers on this matter. In so doing, the representatives wished to pay testament to the officers, who had been honest, open and transparent during these deliberations and had entered into early planning discussions with the external auditors on this matter;

- (b) In respect of the payroll authority list recommendation, it was confirmed that responsibility for this action should be attributed to the Case Management Team Leader.

It was then:

RESOLVED

That the report be noted.

A.34/14

CERTIFICATION WORK FOR SOUTH HAMS DISTRICT COUNCIL FOR YEAR ENDED 31 MARCH 2014

A paper was presented that considered the certification work for 31 March 2014, as published by Grant Thornton.

It was then:

RESOLVED

That the report be noted.

A.35/14

INTERNAL AUDIT – REVISION OF AND PROGRESS AGAINST THE 2014/15 PLAN

The Committee considered a report that informed Members of the principal activities and findings of the Council's Internal Audit team for 2014/15 to the end of January 2015 by:-

- providing a summary of the main issues raised by completed individual audits; and
- showing the progress made by Internal Audit against the 2014/15 annual internal audit plan, as approved by the Committee in April 2014.

In discussion, reference was made to:-

- (a) the transitional period of T18. In recognising the inevitable impact of the transitional period on the Council, Members hoped that this could be kept to an absolute minimum;
- (b) measures currently being considered to reduce the levels of Housing Benefit debtors;
- (c) the counter fraud audit. Since they were considered to be quick wins by the Committee, Members questioned why the issues identified during this audit were not being reviewed before the new financial year.

It was then:

RESOLVED

That progress made against the 2014/15 internal audit plan and the identified key issues arising be noted.

A.36/14 THREE YEAR INTERNAL AUDIT PLAN 2015/16 TO 2017/18 AND ANNUAL INTERNAL AUDIT PLAN – 2015/16

A report was considered that provided Members with the opportunity to review and comment upon the proposed internal audit plan for the coming three years (2015/16 to 2017/18) and the proposed annual internal audit plan for 2015/16.

In discussion, the following points were raised:-

- (a) The Committee was advised that the purpose of the Plan was to provide a framework within which the service operated and it was acknowledged that the Plan would evolve;
- (b) As an update, officers informed that there was an error on paragraph 2.4 of the presented agenda report. It was noted that the report should state that the internal audit resource had been reduced from around 377 days per year to around 345 days;
- (c) In light of a number of Member frustrations regarding ‘Development Control – Enforcement’, the Committee concluded that the priority of this audit should be increased from ‘low’ to ‘medium’.

It was then:

RESOLVED

1. That the content of the three-year Internal Audit Plan for the period 2015/16 to 2017/18 (Appendix A of the presented agenda report refers) be endorsed, subject to re-classification of the ‘Development Control – Enforcement’ audit from ‘low’ to ‘medium’; and
2. That the content of the Annual Internal Audit Plan for 2015/16 (Appendix C of the presented agenda report refers) be endorsed.

A.37/14 INTERNAL AUDIT: CHARTER AND STRATEGY – 2015/16

A report was considered that provided the opportunity for the Committee to review and comment upon the Internal Audit Charter and Strategy for 2015/16.

In discussion, reference was made to:-

- (a) the quality, experience and morale of officers involved in the system. The Committee emphasised that this was a fundamental issue for the Council to address at this current time. In reply, the Group Manager – Support Services informed that the new Senior Leadership Team was fully aware of this point and had already begun to put measures in place to keep the period of uncertainty to an absolute minimum;
- (b) the importance of the Internal Audit service being able to have direct access and freedom to report in their own name and without fear or favour to all officers and Members was stressed;
- (c) continual professional development. The Committee welcomed the comments whereby time would be allowed within the annual audit plan to allow internal audit staff to receive relevant training. A Member questioned whether there were any capacity issues within the Internal Audit team as a consequence of the Transformation Programme. In response, the S151 Officer informed that the current staffing levels were deemed appropriate and were consistent with the service blueprinting exercise which had been undertaken at the start of the Programme.
- (d) the work and attitudes demonstrated by Support Services staff. To their great credit, the lead Executive Member for Support Services highlighted the excellent work and attitudes which had been demonstrated by those staff within her service area, who had risen to the challenge in what had been difficult circumstances.

It was then:

RESOLVED

That the Internal Audit Charter and Strategy 2015/16 has been reviewed and consequently be approved.

A.38/14

ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION

The Committee considered a report that presented the annual review of the Council's Constitution.

In light of the revised governance arrangements, Members noted that there would be no need for the Programming Panel to be convened in the 2015/16 Municipal Year.

It was then:

RECOMMENDED

That the Council be **RECOMMENDED** that the amendments to the Council Constitution 2015 (as summarised in paragraph 2.2 of the presented agenda report and fully outlined on the website) be approved.

A.39/14 **UPDATE ON INDICATORS FROM THE AUDIT COMMISSION'S VALUE FOR MONEY PROFILE TOOL**

Consideration was given to a report that updated Members on the latest indicators available from the Audit Commission's Value for Money Profile Tool.

It was then:

RESOLVED

That the report be noted.

A.40/14 **CHAIRMAN'S CONCLUDING REMARKS**

As this was the last scheduled Committee meeting of the 2014/15 Municipal Year, and the local elections would have taken place before the Committee was to meet again, the Chairman wished to thank all Members and officers for their respective contributions. In addition, the Chairman commented that, through collective working, the Committee had achieved plenty during the four year term of this Council.

(Meeting commenced at 10.00 am and finished at 11.25 am)

Chairman