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West Devon  
Borough  
Council

## WEST DEVON AUDIT COMMITTEE - TUESDAY, 28TH APRIL, 2015

Agenda, Reports and Minutes for the meeting

### Agenda No    Item

1.     **Agenda Letter** (Pages 1 - 6)
  
2.     **Reports**  
      Reports to Audit:
  - a)     Item 5 - Devon Pension Fund (Pages 7 - 20)
  - b)     Item 6 - Annual Review of the Council's Constitution (Pages 21 - 26)
  - c)     Item 7 - Internal Audit - Progress against the 2014/15 Plan (Pages 27 - 44)
  - d)     Item 8 - Update on Indicators from the Audit Commission's Value For Money Profile Tool (Pages 45 - 48)
  - e)     Item 9 - The Audit Plan for West Devon Borough Council (Pages 49 - 68)
  - f)     Item 10 - West Devon Borough Council Audit Committee Update (Pages 69 - 84)
  
3.     **Minutes** (Pages 85 - 88)

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## AGENDA – AUDIT COMMITTEE – 28<sup>th</sup> APRIL 2015

### PART ONE – OPEN COMMITTEE

**1. Apologies for absence**

**2. Declaration of Interest**

Members are invited to declare any personal or disclosable pecuniary interests, including the nature and extent of such interests they may have in any items to be considered at this meeting.

If Councillors have any questions relating to predetermination, bias or interests in items on this Agenda, then please contact the Monitoring Officer in advance of the meeting.

**3. Items Requiring Urgent Attention**

To consider those items which, in the opinion of the Chairman, should be considered by the Meeting as matters of urgency (if any).

	<b>Page</b>
<b>MINUTES</b>	
<b>4. Confirmation of Minutes</b> Meeting held on 24 <sup>th</sup> February 2015	6
<b>OPERATIONAL</b>	
<b>5. Devon Pension Fund</b> Presentation by Mr M Gayler Assistant County Treasurer	11
<b>6. Annual Review of the Council's Constitution</b> Report of the Monitoring Officer	25
<b>7. Internal Audit – Progress against the 2014/15 Plan</b> Report of the Head of Devon Audit Partnership	30
<b>8. Update on Indicators from the Audit Commission's Value For Money Profile Tool</b> Report of the Finance Community of Practice Lead	47
<b>9. The Audit Plan for West Devon Borough Council</b> Report of Grant Thornton (External Auditors)	51
<b>10. West Devon Borough Council Audit Committee Update</b> Report of Grant Thornton (External Auditors)	71

**PART TWO – ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF THE PUBLIC AND PRESS ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED (if any).**

If any, the Committee is recommended to pass the following resolution:

**“RESOLVED** that under Section 100(A)(4) of the Local Government Act 1972, the public be excluded from the Meeting on the grounds that exempt information may be disclosed as defined in the paragraph given below in bold type from Part I of Schedule 12(A) to the Act.”

This document can be made available in large print, Braille, tape format, other languages or alternative format upon request. Please contact the Committee section on 01822 813662 or email [arose@westdevon.gov.uk](mailto:arose@westdevon.gov.uk)

## **STRATEGIC RISK ASSESSMENT**

### **Reports to Members**

Members will be aware of the requirement to take account of strategic risk in decision making. This note is designed to support Members consider strategic risks as part of the assessment of reports from officers.

There are an increasing number of issues that we have a statutory requirement to take into account which affect all aspects of the Council's policies and service delivery (e.g. Human Rights Act). There are also discretionary issues we choose to highlight in our reports (e.g. Financial Implications, and Impact on Council Priorities and Targets). Common Law duty requires Local Authorities to take into account all things they need to take into account! The Courts hearing Judicial Review applications make this their starting point in deciding whether any decision is reasonable.

Officers have a responsibility to assess the implications of recommendations to Members. Members should ensure that before making a decision they have undertaken a similar consideration relating to the risks associated with the report.

Examples of risk to be considered:-

#### **Statutory Requirement :**

- Equalities and Discrimination, particularly Race Equality. (Consider the impact on each of the following equality areas: Race, Religion and Belief, Gender, Sexual Orientation, Disability, Age)
- Human Rights
- Crime and Disorder
- Health and Safety
- Employment Legislation
- Data Protection
- Freedom of Information
- Corporate activity with an impact on Areas of Outstanding Natural Beauty, National Parks, Sites of Special Scientific Interest, and biodiversity

#### **Corporate Requirement :**

- Impact on Council's Reputation
- Impact on Priorities, Cross-Cutting themes, Targets and / or Commitments
- Impact on Standing Orders / Financial Regulations
- Impact on Council's Assets
- Financial Risks
- Compliance with National Policies and Guidance
- Impact on Sustainability

Members' attention is drawn to the Risk Assessment section within each report. Members are encouraged to consider whether the report has satisfactorily identified all likely negative impacts and mitigating action that will be taken. Members also need to consider the opportunities presented by actions, noting that any change entails an element of risk. The challenge is to effectively manage that risk.

## RISK SCORING MATRIX

Impact/Severity		Target impact	Stakeholder impact	Finance impact
1	Insignificant	Low impact on outcome & target achievement & service delivery	Low stakeholder concern	Low financial risk
2	Minor	Minor impact on outcome & target achievement & service delivery	Minor stakeholder concern	Minor financial risk
3	Moderate	Moderate outcome & target achievement & service delivery	Moderate stakeholder concern	Moderate financial risk
4	Serious	High impact on outcome & target achievement & service delivery	High stakeholder concern	High financial risk
5	Very serious	Very high impact on outcome & target achievement & service delivery	Very high stakeholder concern	Very high financial risk
Likelihood/Probability		Risk	Opportunity	
1	Very low	Negligible chance of occurrence; has not occurred	Possible opportunity yet to be investigated with low likelihood of success	
2	Low	Low chance of occurrence; has occurred infrequently but within internal control	Opportunity being investigated with low likelihood of success	
3	Medium	Equal chance of occurrence or non occurrence; could occur more than once and be difficult to control due to external influences	Opportunity may be achievable with careful management	
4	High	More likely to occur than not occur; has occurred more than once and difficult to control due to external influences	Good opportunity which may be realised	
5	Very high	Very high chance of occurrence but not a certainty; has occurred recently	Clear reliable opportunity with reasonable certainty of achievement	

**Risk score = Impact/Severity x Likelihood/Probability**

<b>Likelihood</b>	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
	0	1	2	3	4	5
<b>Impact</b>						

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# Devon Pension Fund

Mark Gayler

Assistant County Treasurer

Investments and Treasury Management

# Devon Fund Overview



- Devon County Council is the Administering Authority of the Fund and delegates management of the Fund to the Investment & Pension Fund Committee.
- Total size of fund = £3.0 billion (as at 31 March 2013).
- Over 160 employers paying into the fund.
- Over 90,000 members of the Pension Scheme, comprising contributors, pensioners and deferred pensioners.
- Funds invested into equities, bonds, etc. by external investment managers.
- Actuarial review of the Fund every three years to determine funding level.

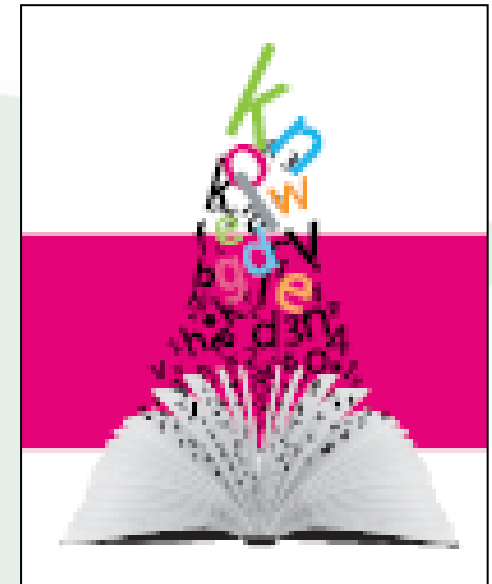
# Committee Effectiveness

- Most areas of focus are well covered by the Committee. The need for a greater focus on risk management and liabilities has been highlighted by Grant Thornton.  
Pensions admin performance included in Annual Report, but perhaps a need for more reporting to Committee.
- The Committee will need to review how it works, particularly in the light of changes in regulations.



# Knowledge and Skills

- Regular training has been provided for Committee members.
- CIPFA Code of Practice adopted on 28 February.
- Assessment of training needs to be undertaken, and a plan implemented.
- Specific training has been provided in advance of proposed changes to investment strategy.



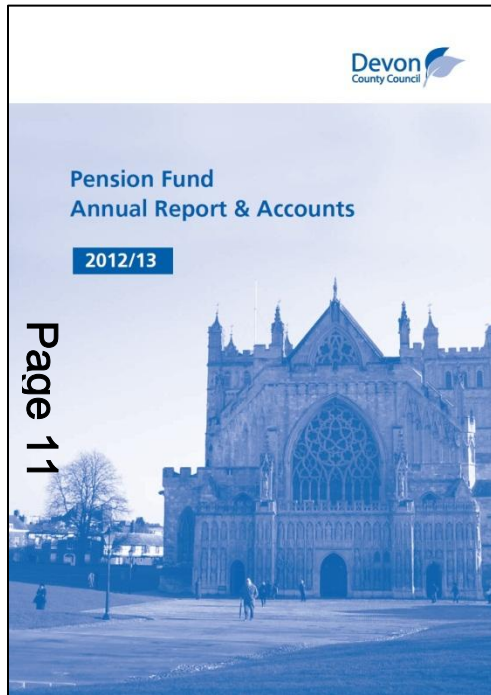
# Annual Report and Statutory Statements

- 2012/13 Annual Report now available on-line

<http://www.peninsulapensions.org.uk/wp-content/uploads/2013/10/Pension-Fund-AR-2013.pdf>

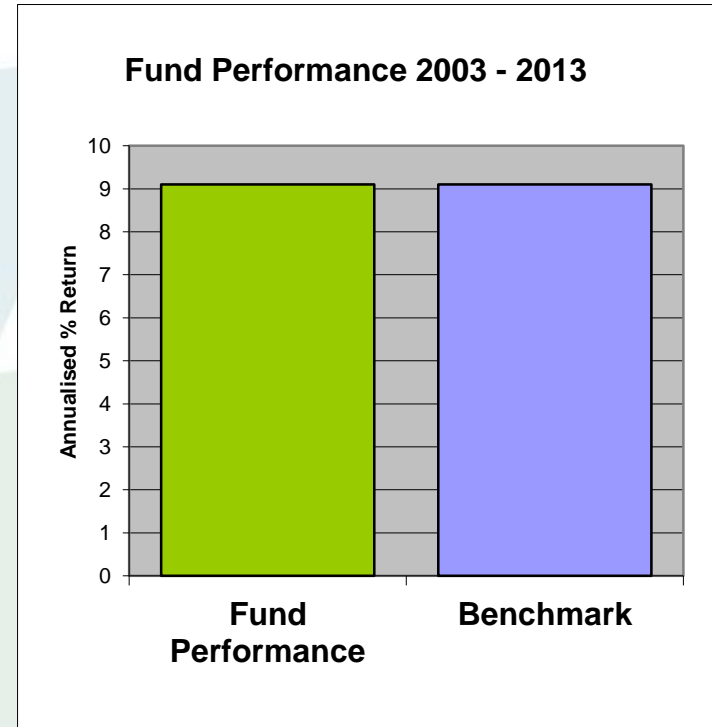
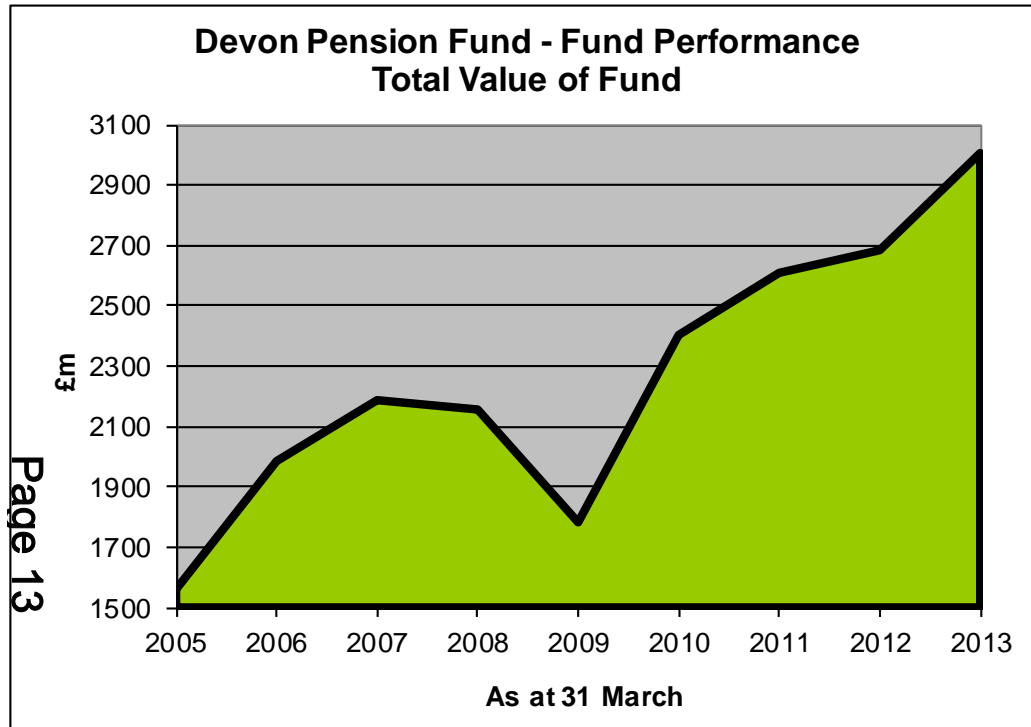
- Revised Governance Policy and Compliance Statement

<http://www.peninsulapensions.org.uk/wp-content/uploads/2013/09/Devon-Pension-Fund-Governance-Policy.pdf>



- Governance Compliance Statement shows minor areas of partial compliance e.g. employee reps do not have voting rights.
- Devon County Council Annual Governance Statement only makes passing reference to the Pension Fund.
- No separate Annual Governance Statement is produced for the Pension Fund. This may be an issue to consider.

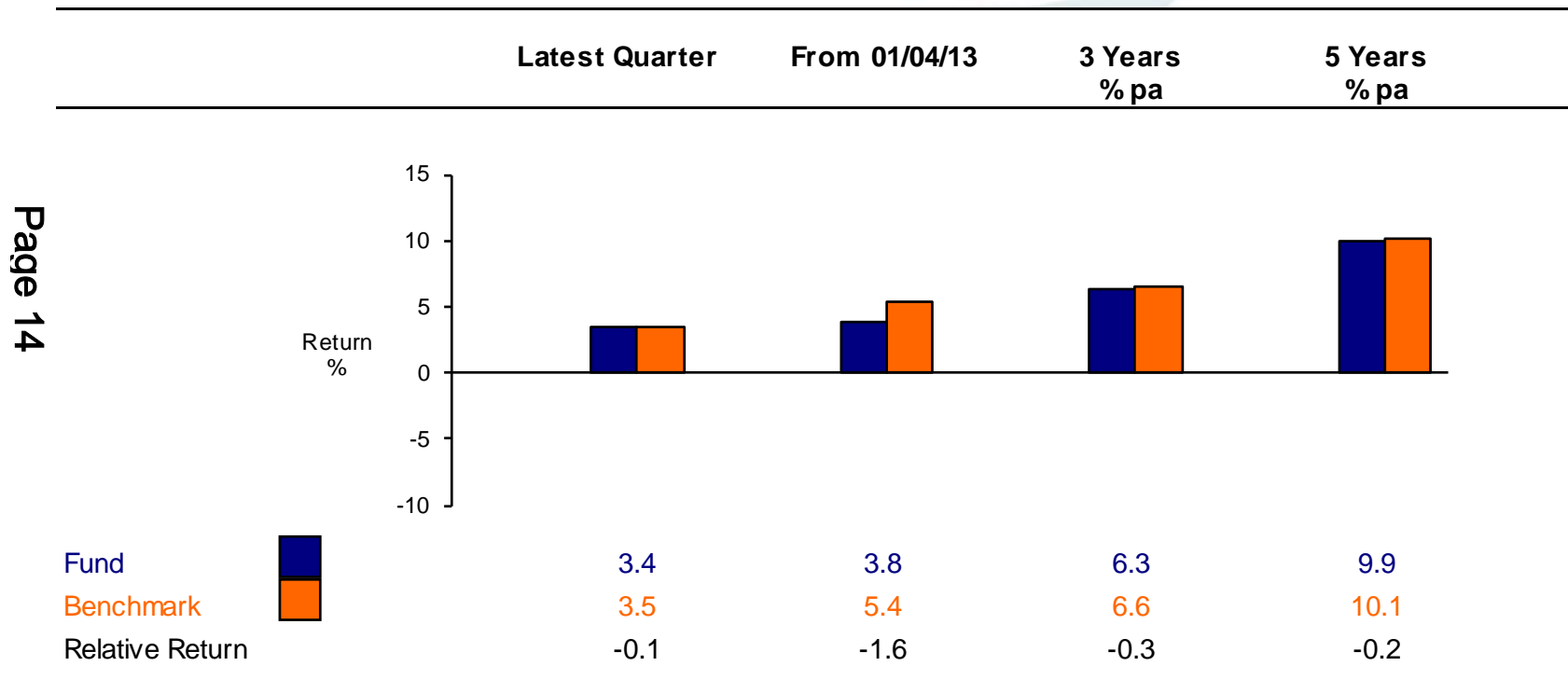
# Fund Performance



- Total fund performance 2012/13 = 12.3%
- Annualised return of 9.1% per year over the last 10 years, in line with the Fund benchmark.

# Fund Performance

## Performance to 31 December 2013

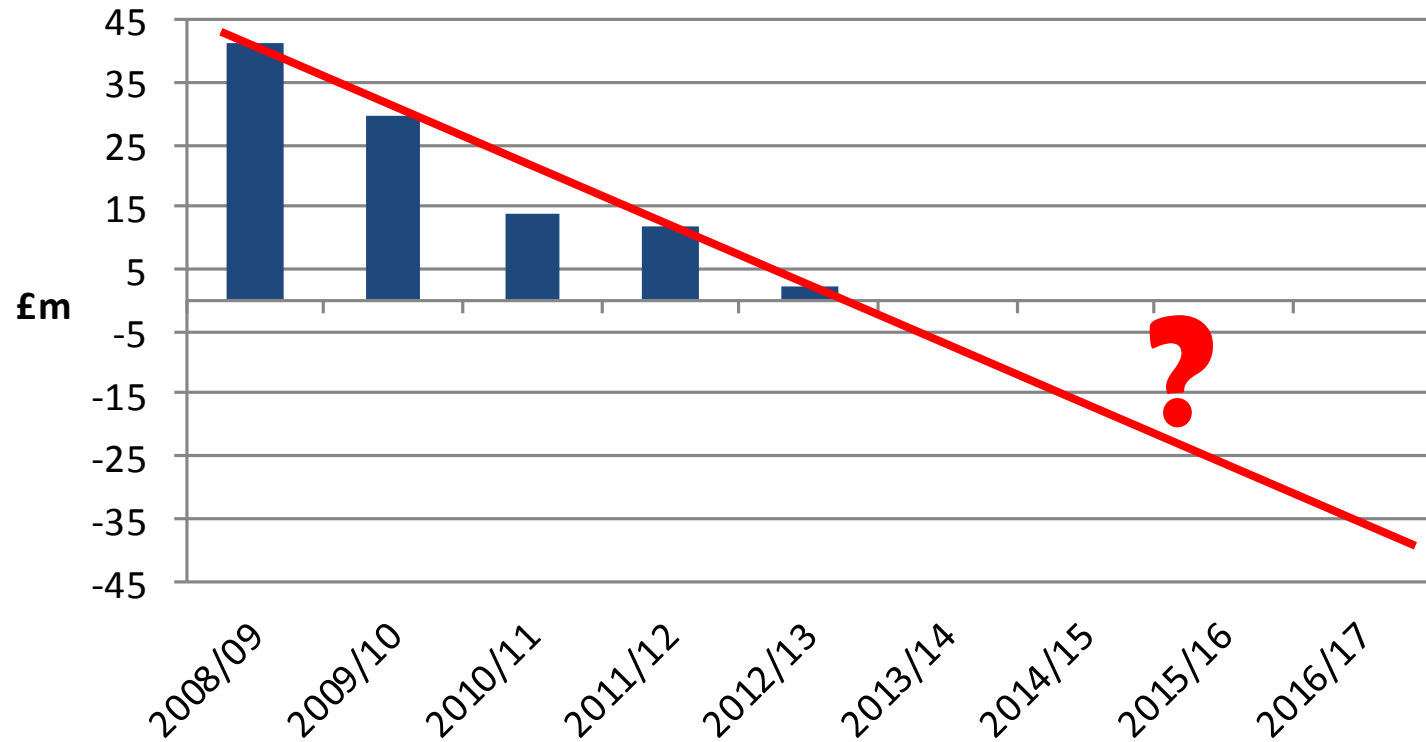


- Disappointing return for financial year to date.
- A reasonable performance in the final quarter should take the rolling 3 year and 5 year performance back in line with benchmark.



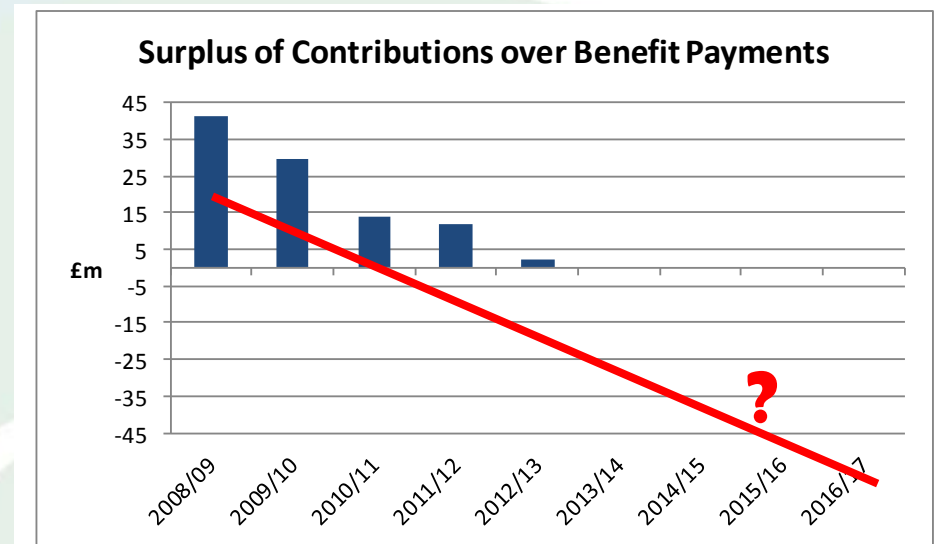
# Fund Cashflow

## Surplus of Contributions over Benefit Payments



# Investment Strategy

- Funding level represents assets as a % of liabilities.
- Funding level increased to 83% in 2013.
- Likely to be cashflow negative in 2013/14.
- Investment income will need to be used to meet shortfalls – this may necessitate a change of strategy going forward.



- Change in asset allocation in 2012, with allocation to DGFs – aim to reduce volatility.
  - Minor amendment in 2013 with increased allocation to Infrastructure – returns linked to inflation; income yield.
- Page 17
- Current asset allocation: Equities 55%; Fixed Interest 16%; DGFs 15%; Property 10%; Infrastructure 4%.
- Income from property and infrastructure not reinvested by managers, and is available to pay benefits.
  - No specific liability matching – something to consider further?

# Costs and Savings

- Creation of Peninsula Pensions as shared admin service with Somerset.
- Use of national framework for Custody service.
- Costs benchmarked against other LGPS funds.
- Headline figures fairly meaningless as funds are of difference sizes.



- Risk reporting to Committee could be improved.
- Combined Risk Register for Fund to be produced and taken to a future Committee meeting.
- Work of Internal Audit being expanded to cover investments in addition to pension payments and contributions.
- An Audit Plan will be taken to the next meeting of the Investment and Pension Fund Committee.

# Looking Ahead



Page 20

- The Pension Fund has a long term horizon over which to invest.
- The Fund needs to adapt to a changing world and increasing volatility of markets.
- Negative cashflow (contributions less benefits) needs to be factored into investment strategy.
- Greater emphasis on cost savings (proposals for mergers / greater collaboration).
- Long term performance is still the overriding objective.

## WEST DEVON BOROUGH COUNCIL

<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>28 April 2015</b>
<b>REPORT TITLE</b>	<b>Annual Review of the Council's Constitution</b>
<b>REPORT OF</b>	<b>Monitoring Officer</b>
<b>WARDS AFFECTED</b>	<b>All</b>

**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 directly from this report.

**RECOMMENDATION:**

That the Committee **RECOMMENDS** to Council that:

1. The amendments to the West Devon Borough Council Constitution 2015 (as summarised in paragraph 2.2 of the report and fully outlined on the website) be approved;
2. Delegated approval be given to the Monitoring Officer to make any further amendments to the Hub Committee and Overview & Scrutiny Committees functions and areas of responsibility in order to reflect the emerging T18 structure; and,
3. Delegated approval be given to the Environmental Health Community of Practice Lead/Divisional Environmental Health Officers/Customer First Group Manager those matters under the Anti-social Behaviour, Crime and Policing Act 2014 as set out in paragraph 2.4 of this report.

**Officer contacts:**

Catherine Bowen, Monitoring Officer ([cbowen@westdevon.gov.uk](mailto: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
  - Member attendance statistics
- 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. These are highlighted for information purposes in the Constitution Review document (see below).
- 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, further amendments have been made and highlighted in yellow. 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@westdevon.gov.uk](mailto:member.services@westdevon.gov.uk)).
- 2.2 The main changes proposed to the Constitution are summarised as below:
  - 2.2.1 **Hub Committee:** following Council's approval for the Resources and Community Services Committees to be replaced by a single Hub Committee, the terms of reference for the new Hub Committee are set out in Part 3 of the Constitution and also merge the responsibilities of the two former committees.

Clarification is still ongoing about the new ways in which the Council will deliver its services and delegated authority is requested for the Monitoring Officer to further amend the details of the responsibilities (specific service area etc) for the Hub Committee to ensure a fit for purpose remit is available for the new Council.

- 2.2.2 **Overview & Scrutiny Panels:** changes have been made to Part 3 of the Constitution (terms of reference for Committees) and Part 4 which deals with Overview & Scrutiny Procedure Rules, in order to reflect the Council's agreement to replace the single Committee with two Overview & Scrutiny Committees. Further consequential amendments have been made throughout the Constitution to reflect the change to the two Committees. Detailed terms of reference will be finalised at the first meetings of the Committees.



2.2.3 **Sealing:** in view of the Agile working arrangements under T18 it is recommended that the Council's sealing in undertaken by the Monitoring Officer (or a duly authorised member of her team) without the requirement for the Mayor (or an another Member to also authorise) in order that urgent matters can be attended to from remote locations.

2.2.4 **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 this 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.

2.4 **Authority is also requested to delegate** the new powers under the Anti-social Behaviour, Crime and Policing Act 2014 to the Community of Practice Environmental Health Lead / Divisional Environmental Health Officers/Customer First Group Manager (depending on appointments) to:

- (i) Be the Proper Officers for this Act
- (ii) Make Pubic Space Protection Orders
- (iii) Issuing Fixed Penalty Notices with a penalty of £100
- (iv) Serving Community Protection Notices
- (v) Making Closure Orders
- (vi) To decide the local threshold for the Community Trigger

### 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 arising directly from 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

<b>Corporate priorities engaged:</b>	All
<b>Considerations of equality and human rights:</b>	None directly arising from this report

<b>Biodiversity considerations:</b>	None directly arising from this report
<b>Sustainability considerations:</b>	None directly arising from this report
<b>Crime and disorder implications:</b>	None directly arising from this report
<b>Background papers:</b>	Constitution Review 2015

## 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

Page 25

Direction of travel symbols ↓ ↑ ↔

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<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>28<sup>th</sup> April 2015</b>
<b>REPORT TITLE</b>	<b>Internal Audit – Progress against the 2014/15 Plan</b>
<b>Report of</b>	<b>Head of Devon Audit Partnership</b>
<b>WARDS AFFECTED</b>	<b>All</b>

**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 31<sup>st</sup> March 2015, by:

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

**Financial implications:**

There are no direct financial implications of the monitoring of the Internal Audit Plan. The internal audit costs for the year are as budgeted.

**RECOMMENDATIONS:**

That the Audit Committee considers the progress made against the 2014/15 internal audit plan, and make any relevant recommendations to Council.

**Officer contact:**

For further information concerning this report, please contact:

Robert Hutchins Head of Devon Audit Partnership 01803 861375  
[robert.hutchins@swdevon.gov.uk](mailto:robert.hutchins@swdevon.gov.uk)

Lisa Buckle, S.151 Officer 01822 813644: [Lisa.Buckle@swdevon.gov.uk](mailto:Lisa.Buckle@swdevon.gov.uk)

**1. BACKGROUND**

1.1 The Charter for Internal Audit was presented to the Audit Committee in April 2014 (Minute reference \*AC 40 refers) 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 \*AC 40 refers) and 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 (minute reference AC 41 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.

### Resources and Skills

- 2.3 Sickness relating to officers within the combined internal audit team equates to 10 days in the period April 2014 to 31<sup>st</sup> March 2015; this roughly equates to 2 days of sickness for West Devon Borough Council (2013/14 equivalent 0 days).

### Progress against the Plan

- 2.4 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 on a monthly basis.
- 2.5 **Appendix B** provides a summary of the main issues raised for audits where a final audit report has been issued and action agreed.

### Non Compliance with Contract or Financial Procedure Rules

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

### Fraud, Corruption, Bribery and Whistle Blowing

- 2.7 We have previously reported that the Council became aware of a potential fraud involving Council Tax refunds. No other fraudulent activity has been reported to us or come to our attention.

### Internal Audit Performance Indicators

2.8 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.

2.9.1 At this stage in the year, the key indicator 'Completion of 2014/15 Audit Plan' is as follows:

Indicator	Target %	Actual %	Comments
Audits completed from 2013/14 combined audit plan.	95	100	As reported to the Audit Committee June 2014. (West Devon 100%)
<b>Audits as at the 31st March 2015 at various stages of completion from 2014/15 revised audit plan and their 2013/14 equivalents.</b>			
WDBC	95%	94%	Considered to be "on target"

### Internal Audit – Shared Service

2.10 The following has been achieved so far this financial year:

Working with Devon Audit Partnership (DAP)

- The MKi audit management system has been installed on the PC's of the internal audit team. The staff have become familiar with the system, and formal training will be provided in April.

### **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:

<b>Corporate priorities engaged:</b>	All/Corporate
<b>Statutory powers:</b>	Accounts and Audit Regulations 2011
<b>Considerations of equality and human rights:</b>	There are no specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	There are no specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	There are no specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	There are no specific crime and disorder issues arising from this report.
<b>Background papers:</b>	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; WDBC 5-year Audit Plan 2010/11 to 2015/16.
<b>Appendices attached:</b>	<b>Appendix A:</b> Audit Plan 2014/15 <b>Appendix B:</b> Planned Audit 2014/15 – Final Reports: Detailed Items



### 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. This will result in 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.	2	2	4	↔	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 ↓ ↑ ↔

West Devon Borough Council - Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
						Excell'nt	Good	Fair	Poor	
MAS & Budgetary Control	4	■	■							Audit fieldwork commenced
Creditor Payments	2	■	■					■		See commentary below
Payroll	5	■	■	■	■			■		See commentary below
Council Tax	6	■	■	■	■			■		Summary to Audit Committee – March 2015
Business Rates (NDR)	6	■	■	■	■			■		Summary to Audit Committee – March 2015
Benefits	7	■	■	■	■			■		See commentary below
Housing Benefit Debtors	2	■	■	■	■			■		See commentary below
Treasury Management	2	■	■	■	■		■			Draft report issued 13 Feb 2015
<b>Main Financial Systems</b>	<b>34</b>									
<b>Recruitment</b>	<b>0</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>x</b>	<b>X</b>	<b>X</b>	<b>x</b>	<b>Was 2 days. Removed from Plan.</b>
Community Safety and Emergency Planning	2	■	■	■	■		■			Summary to Audit Committee - September 2014
Private Sector Housing Renewal	4	■	■	■	■		■			Summary to Audit Committee – March 2015
Car Parking	4	■	■				■			Draft report issued 27 Feb 2015
<b>Capital Expenditure &amp; Receipts</b>	<b>0</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>X</b>	<b>x</b>	<b>X</b>	<b>x</b>	<b>x</b>	<b>Was 4 days. Removed from Plan.</b>
ICT / Computer Audit	3	■								Audit fieldwork commenced
Local Welfare Support	2	■								
Use of Internet and Email	3	■	■	■	■		■			Summary to Audit Committee - September 2014
Development Control	4	■								Audit fieldwork commenced
Data Quality incl. PIs	5	■	■	■	■		■			See commentary below

West Devon Borough Council - Progress Against the 2014/15 Internal Audit Plan

APPENDIX A

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
						Excell'nt	Good	Fair	Poor	
Risk Management	3	■								Audit fieldwork commenced
Corporate Governance System of Internal Control (SIC) & Annual Governance Statement (AGS)	5	■	■	■	■	-	-	-	-	Review of the Code of Corporate Governance presented to June 2014 Audit Committee under separate cover. Reports to the July and September 2014 Audit Committee for review and approval of the AGS.
Shared Services	5	■	■	■	■		■			Summary to Audit Committee – March 2015
Sustainability	4	■	■	■	■		■			Summary to Audit Committee - September 2014
T18 Transformation Programme	5	4 days used								
Specific Counter Fraud Work	3	■	■							Draft report issued 13/11/14
Follow Up of Previous Year's Audits	5	5 days used	-	-	-	-	-	-	-	
Contingency (Unplanned)	5	5 days used	-	-	-	-	-	-	-	Minor control and governance issues, advice on financial controls and procurement procedures given to service officers at all levels and contribution to various draft policies & strategies. <ul style="list-style-type: none"> <li>• Audit Commission fraud survey;</li> <li>• Letters to Grant Thornton;</li> <li>• Advice on new Temporary Accommodation Charging Policy;</li> <li>• T18 various;</li> <li>• Counter fraud publicity;</li> <li>• Additional individual internet and e-mail monitoring as requested my managers.</li> </ul>
<b>Other Systems &amp; Audit Work (Revised)</b>	<b>62</b>									

Page 34

Projects agreed in the Audit Plan	Planned Number of Days	Fieldwork started	Issued in draft	Management comments received	Finalised	Opinion (finalised reports only)				Comments
						Excell'nt	Good	Fair	Poor	
Management & Supervision	8	8 days used	-	-	-	-	-	-	-	Planning; Monitoring; Supervision; File Review; Preparing Reports for, and attending, the Audit Committee; Audit Committee workshop; Meetings with the Section 151 Officer; Meetings with the Section 151 and Monitoring Officers; Liaison with the external auditor; etc
External Management & Supervision	8	8 days used	-	-	-	-	-	-	-	Preparing monitoring reports and presenting to committee. Audit plan for 2015/16.
<b>Total (Revised)</b>	<b>16</b>									
<b>Overall Total (Revised)</b>	<b>112</b>									

## Planned Audit 2014/15 – Final Reports

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**

Subject	Audit Findings	Management Response
Creditors	<p><b>Audit Opinion – WDBC &amp; SHDC</b> Fair</p> <p><b>Conclusions</b> Our conclusion is that the creditors system is fulfilling the purpose for which it is intended. Invoices presented to the Council are being processed and paid.</p> <p>However there are some areas where controls can be further improved to both receive the full benefit of a more automated system for processing invoices and to reduce the risk of incorrect payments being made. The main issues were;</p> <ul style="list-style-type: none"> <li>• Ensuring that the scanning of invoices using Kofax is operating correctly;</li> <li>• A number of the invoices we sampled had had orders raised after the invoice was received, reducing the financial control of purchases and possible duplication of payments; and</li> <li>• Controlling amendments to creditors masterfiles.</li> </ul>	
Payroll	<p><b>Audit Opinion – WDBC &amp; SHDC</b> Fair</p> <p><b>Conclusions</b> The Payroll section is able to meet its objectives in providing accurate payments to staff in a timely manner. There were a number of issues identified during the audit that will improve the controls over the operation of the</p>	

	<p>service.</p> <p>The key issues identified were:</p> <ol style="list-style-type: none"> <li>1. Access to the payroll system should be restricted to current authorised staff and all previous users disabled;</li> <li>2. Future processes, such as travel claims, are likely to be input to the payroll system directly by staff and a robust system of checks and control needs to be established to prevent error and fraud;</li> <li>3. An issue arose during the audit where errors in processing BACS payments meant that salary payments for October had to be processed individually. System procedures need to be improved to ensure that this and similar issues do not re-occur in the future; and</li> <li>4. Due to pressures on staff the reconciliation of the payroll control accounts have not been regularly maintained; these should be promptly completed;</li> </ol>	<ol style="list-style-type: none"> <li>1. An audit of personnel with access to the system will be completed by end of April 2015.</li> <li>2. Processes for staff, clarity on expectations and behaviours as well as the control processes are still to be completed prior to any roll-out. A review of the controls and management and reporting of these will be completed by SLT and reviewed by Audit prior to implementation.</li> <li>3. This was due to human error, this has been addressed by introducing an additional check by a second individual and the processing date has been changed to allow for extra time prior to processing and checking.</li> <li>4. This has now been rectified and the processes have been verified by one of the senior accountants. The reconciliation of the control accounts are now defined within the key tasks part of the responsibilities of the team and will be carried out monthly.</li> </ol>
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<p><b>Benefits</b></p>	<p><b>Audit Opinion</b></p> <p><i>Fair</i></p> <p><b>Conclusions</b></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"> <li>• 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</li> <li>• 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.</li> </ul> <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>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>
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<p><b>Housing Benefits Debtors</b></p>	<p><b>Audit Opinion</b> Fair</p> <p><b>Conclusions</b></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>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"> <li>• Consideration should be given to bringing in additional resource to assist in the recovery of benefit overpayment debt; and</li> <li>• 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.</li> </ul>	<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>
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<p><b>Data Quality including Performance Indicators</b></p>	<p><b>Audit Opinion</b></p> <p><b>Good</b></p> <p>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.</p> <p><b>Conclusions</b></p> <p>We confirmed that procedures are in place to allow the Councils to collect data for the suite of performance indicators at each authority, and to report the results to senior managers and Members.</p> <p>There is also a process to address those indicators where performance is failing.</p> <p>Whilst the Councils do have a Data Quality Assurance Strategy in place, there is no monitoring to ensure that it is complied with. We also noted that the Strategy does not provide detailed guidance on data sharing.</p> <p>We highlighted a small number of issues relating to specific performance indicators that we tested, which will contribute to the controls over data quality and the accuracy of data reported.</p>	
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Subject	Audit Findings	Management Response
<p>Shared Services</p>	<p><b>Audit Opinion</b> Good</p> <p><b>Conclusions</b> The recharging of salary and travel costs between the two authorities continues to be calculated correctly, with some non material errors. During 2013/14 WDBC recharged SHDC £932,000 and SHDC recharged WDBC £1.87m.</p> <p>Some errors for 2013/14 in the order of £9,000 were identified and reported to the relevant finance officers at both authorities, but these were not material and would not have a significant impact on the overall value of recharged costs. The errors have been corrected for 2014/15.</p> <p>We raised some issues in our report, the most significant areas being:</p> <ul style="list-style-type: none"> <li>• Expanding further the analysis and sharing of expenditure for items such as agency staff, public transport, training, recruitment, continuing professional development, and other administration costs;</li> <li>• A policy for the recharging of ICT is to be further developed to ensure that existing arrangements are robust.</li> </ul>	<p>The findings in the Audit report have been Agreed</p> <p>All costs (including those referred to) will be considered to determine if they need to be included in re-charges and how costs will be shared.</p>

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

Subject	Comments
<b>Compliance Review of the Code of Corporate Governance</b>	Member report setting out the work done to review the Council's compliance with its Code of Corporate Governance, in line with the CIPFA/SOLACE guidance, presented to the June 2014 Audit Committee. Issues raised are included in the Annual Governance Statement which was presented to the Audit Committee at the meeting of July 2014.
<b>System of Internal Control (SIC), and Annual Governance Statement (AGS)</b>	A report setting out the work done to enable the AGS to be completed in line with the CIPFA/SOLACE guidance was presented to the July 2013 Audit Committee. The Council of the 22 <sup>nd</sup> July 2014 agreed to amend the constitution to allow the Audit Committee to approve the AGS on behalf of the Council. The AGS was published in September 2014, following an update to the Statement reported with this Audit Committee agenda.
<b>Exemptions to Financial Procedure Rules</b>	As and when required

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<b>NAME OF COMMITTEE</b>	<b>Audit Committee</b>
<b>DATE</b>	<b>28 April 2015</b>
<b>REPORT TITLE</b>	<b>Update on Indicators from the Audit Commission's Value for Money Profile Tool</b>
<b>Report of</b>	<b>Finance Community of Practice Lead</b>
<b>WARDS AFFECTED</b>	<b>All</b>

**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 on 24<sup>th</sup> February 2015, regarding Grant Thornton's Value for Money Report (Item 5 on the agenda), where Members requested further information on a couple of indicators (which were red or amber) 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:**



Lisa Buckle, Finance Community of Practice Lead  
[Lisa.buckle@swdevon.gov.uk](mailto:Lisa.buckle@swdevon.gov.uk)

**1. BACKGROUND**

**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 February 2015 Audit Committee. This paper provided key indicators for West Devon Borough Council from the Audit Commission's Value for Money profile tool.
- 1.2 At the February 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 below. 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 (72%) and is now below average when compared to other district councils. West Devon's net spend was £2.54 per head in 2013/14 compared to the district average of £6.45.
- 1.4 The average number of housing benefit claimants (yearly) show this was £3,127 for West Devon, compared to an average for District Councils of 6,524.

Key indicators – Audit Commission Value for Money Profiles						
Indicator	Period	Value	% change	DoT	Rank (Percentile)	Average for district councils
<b><u>Housing Benefit and Council Benefit, and Net Spend indicators</u></b>						
<b>Net spend on housing benefits administration and prior to 2013/14 council tax benefits administration per head</b>	2013/14	£2.54 per head	-72%		In the lowest 20%	£6.45 per head
<b>Average number of housing benefit claimants (yearly)</b>	2013/14	3,127	-1%		In the lowest 10%	6,524

- 1.5 **Total net spend per head** has slightly increased in 2013/14 to £418.59 per head of population which is higher than the District Council average net spend for 2013/14 of £401.49. (The 2012/13 Indicator was £407.16 which had a 'Amber' status as it was more than the District Average).
- 1.6 However it can be seen from the Value for Money Profile Tools below that in 2014/15 this figure falls to £376.09 per head of population and is below the District Average of £408.09. The Council's Transformation Programme in 2015/16 will further reduce the net spend per head for the 2015/16 financial year.



## Key indicators – Audit Commission Value for Money Profiles

	Period	Value	% change	DoT	Rank (Percentile)	Average for district councils
<b><u>Net Spend per Head indicators</u></b>						
<b>Total net spend per head</b>	2013/14	£418.59 per head	1%		Around average	£401.49 per head
<b>Planned net current expenditure per head of population</b>	2014/15	£376.09 per head	-3%		Slightly below Average	£408.09 per head

## 2. LEGAL IMPLICATIONS

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

## 3. FINANCIAL IMPLICATIONS

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

## 4. RISK MANAGEMENT

- 4.1 The risk management implications follow these considerations:

<b>Corporate priorities engaged:</b>	All
<b>Statutory powers:</b>	Accounts and Audit Regulations 2011 Local Audit and Accountability Act 2014
<b>Considerations of equality and human rights:</b>	No specific equality and human rights issues arising from this report.
<b>Biodiversity considerations:</b>	No specific biodiversity issues arising from this report.
<b>Sustainability considerations:</b>	No specific sustainability issues arising from this report.
<b>Crime and disorder implications:</b>	No specific crime and disorder issues arising from this report.
<b>Background papers:</b>	Audit Committee 24 February 2015: Agenda Item 5: Grant Thornton Report on Value for Money for West Devon Borough Council.
<b>Appendices attached:</b>	None

**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** ↓ ↑ ↔

# The Audit Plan for West Devon Borough Council

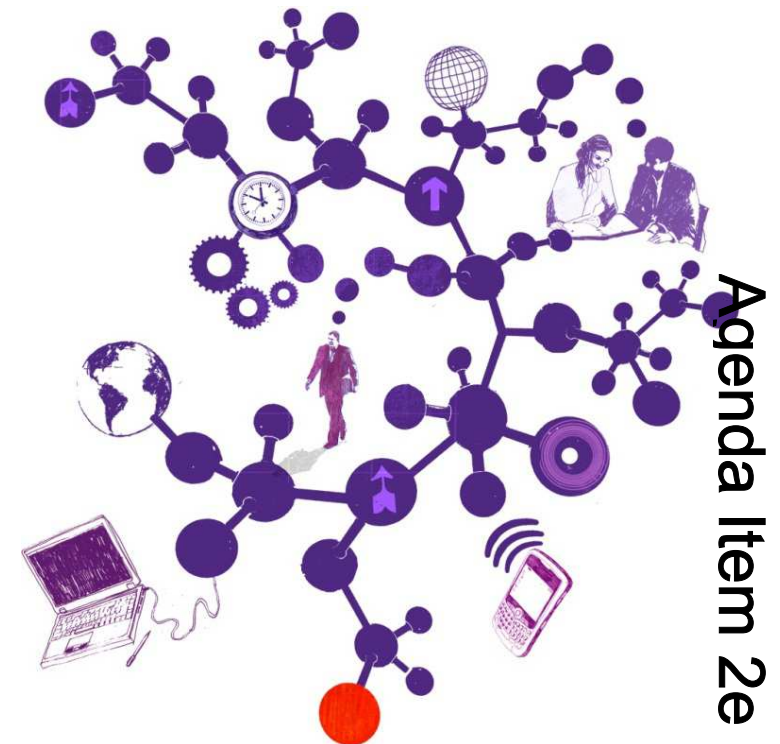
Year ended 31 March 2015

28 April 2015

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Agenda Item 2e

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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# Contents

## Section

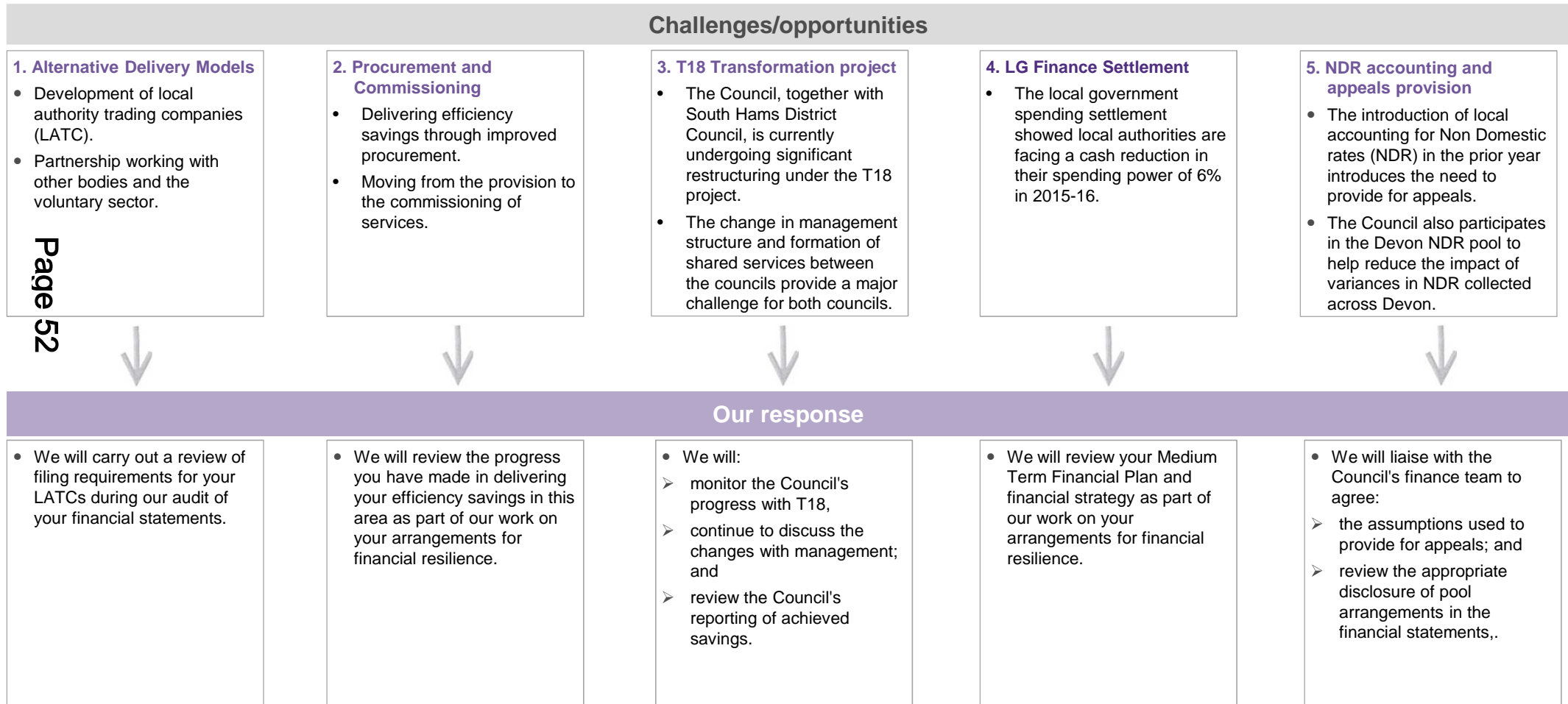
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. Significant risks identified
5. Other risks identified
6. Value for Money
7. Results of interim audit work
8. Key dates
9. Fees and independence
10. Communication of audit matters with those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



# Developments relevant to your business and the audit

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

## Developments and other requirements

### 1. Financial reporting

- The 2014/15 CIPFA Code of Practice on Local Authority Accounting, published in April 2014, introduced some changes in the accounting and reporting requirements for the Council's financial statements.

### 2. Legislation

- Local Government Finance settlement.
- There is an expectation that central government funding levels will continue to fall, thereby increasing pressure for Council's to make greater and greater savings.

### 3. Corporate Governance

- Annual Governance Statement (AGS). Does the AGS relate to the governance system and how it applied during the Council's financial year.
- Explanatory Foreword. Does the Explanatory foreword explain the most significant features of the accounts and is it consistent with the financial statements.

### 4. Better Care Fund

- Better Care Fund (BCF) plans and the associated pooled budgets will be operational from 1 April 2015.
- The BCF includes funding for disabled facilities grants as part of the overall care package. District Council's have a role to play in the BCF.

### 5. Financial Pressures

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

### 6. Other requirements

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

Page 53

## Our response

- We will ensure that the Council complies with the requirements of the CIPFA Code of Practice through discussions with management and our substantive testing.

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

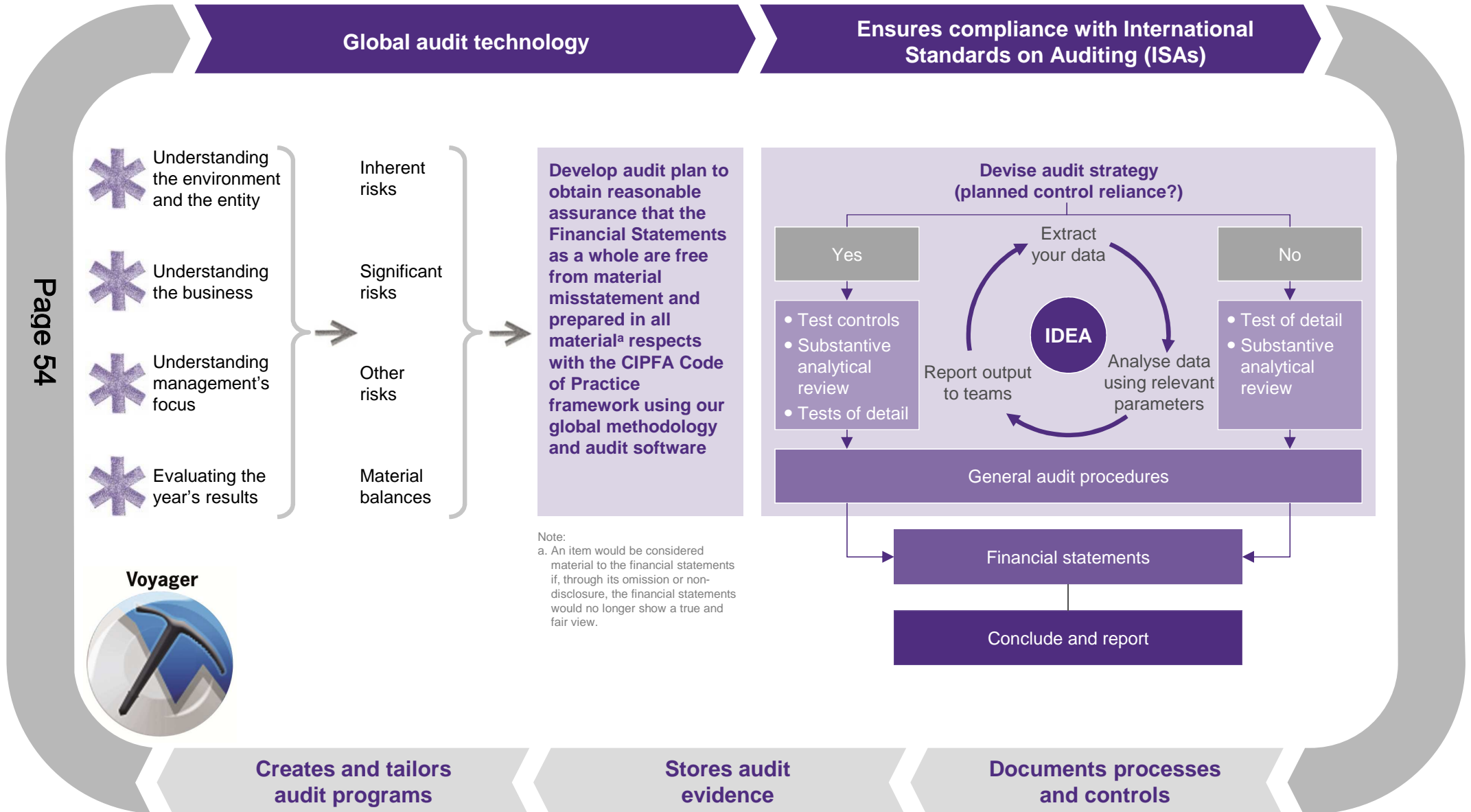
- We will review the arrangements the Council has in place for the production of the AGS.
- We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.

- We will consider whether the BCF is a risk in the context of our VfM conclusion and will carry out further work if required.

- 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 Value for Money (VfM) conclusion.

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

# Our audit approach





# Significant risks identified

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

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

Significant risk	Description	Substantive audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 55</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 ISA 240 and the nature of the revenue streams at West Devon Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition;</li> <li>• opportunities to manipulate revenue recognition are very limited;</li> <li>• there are appropriate controls in place to mitigate the risk of revenue recognition;</li> <li>• the nature of all material categories of income means that improper recognition would be difficult to conceal; and</li> <li>• the culture and ethical frameworks of local authorities, including West Devon Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
<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><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management.</li> <li>• Testing of journal entries.</li> <li>• Review of unusual, significant journal transactions.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management.</li> <li>• Testing of journal entries.</li> <li>• Review of unusual, significant journal transactions.</li> </ul>

# Significant risks identified cont'd

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

# 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 57</p>	<p>Creditors understated or not recorded in the correct period</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transaction.</li> <li>• Substantively test a sample of operating expenses.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Agree creditors to the ledger.</li> <li>• Review of payments before and after year end to ensure that they are allocated to the correct year and correctly recognised.</li> <li>• Substantively test a sample of operating expenses.</li> <li>• Discuss year end accruals process with accounting team.</li> </ul>
<p>Employee remuneration</p>	<p>Employee remuneration accruals understated</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transaction.</li> <li>• Substantively test a sample of remuneration transactions.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Predictive analytical review.</li> <li>• Substantively test a sample of remuneration transactions.</li> <li>• Review the apportionment of costs between West Devon Borough Council and South Hams District Council.</li> </ul>

## Other risks identified cont'd

Other risks	Description	Audit Approach
<p>Welfare Expenditure</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 58</p>	<p>Welfare benefit expenditure improperly computed</p>	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of system documentation and walkthrough of transactions.</li> <li>• Completed uprating checklist.</li> <li>• Review of prior year 40+ testing issues.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantively test a sample of welfare claims.</li> <li>• Verifying system parameters.</li> <li>• Analytical Review.</li> <li>• Review the reconciliation of the housing benefit system to the general ledger.</li> <li>• Agree the Housing Benefit claim to the accounts.</li> </ul>

# 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:

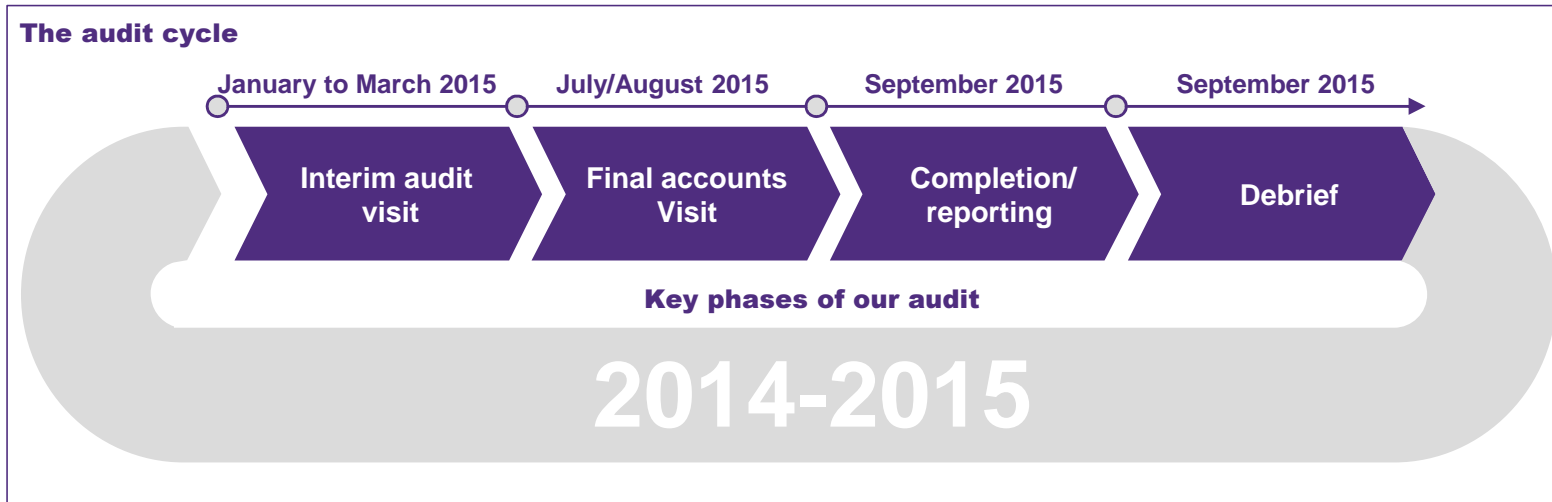
	Work performed and findings	Conclusion
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We also reviewed internal audit's work on the Council's key financial 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>
<b>Walkthrough testing</b>	<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 significant control issues which we wish to bring to your attention.</p> <p>We did note, in relation to employee remuneration, that there is not a list of signatories, with authorisation limits, detailing those who have the authority to sign off overtime and expenses.</p>	<p>Please see the 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>
<b>Entity level controls</b>	<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"> <li>• Communication and enforcement of integrity and ethical values.</li> <li>• Commitment to competence.</li> <li>• Participation by those charged with governance.</li> <li>• Management's philosophy and operating style.</li> <li>• Organisational structure.</li> <li>• Assignment of authority and responsibility.</li> <li>• Human resource policies and practices.</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements that have not been identified through the walkthrough testing.</p>

Page 60

# Results of interim audit work cont'd

	Work performed	Conclusion
<b>Journal entry controls</b>	<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. 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>
<b>Early substantive testing</b>	<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. 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



Page 62

Date	Activity
January 2015	Planning
February /March 2015	Interim site visit
28 April 2015	Presentation of audit plan to Audit Committee
July/August 2015	Year end fieldwork
September 2015	Audit findings clearance meeting with the 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	52,528
Grant certification	7,120
<b>Total fees (excluding VAT)</b>	<b>59,648</b>

### 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](http://www.audit-commission.gov.uk)).

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

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

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

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

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# Appendices

Page 65

# 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 Page 66	<b>Payroll authority list</b> 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.	Medium	Agreed. This is timely considering the changes in personnel and will be actioned immediately.	Immediately.

# Glossary

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Abbreviation	Detail
AGS	Annual Governance Statement
BCF	Better Care Fund
CIPFA	Chartered Institute of Public Finance Accounts
DCLG	Department for Communities and Local Government
IFRS	International Financial Reporting Standard
ISA	International Standard on Auditing
LG	Local Government
LATC	Local Authority Trading Company
NDR	Non Domestic Rates
VFM	Value for Money
WGA	Whole of Government Accounts



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# West Devon Borough Council Audit Committee Update

Year ended 31 March 2015

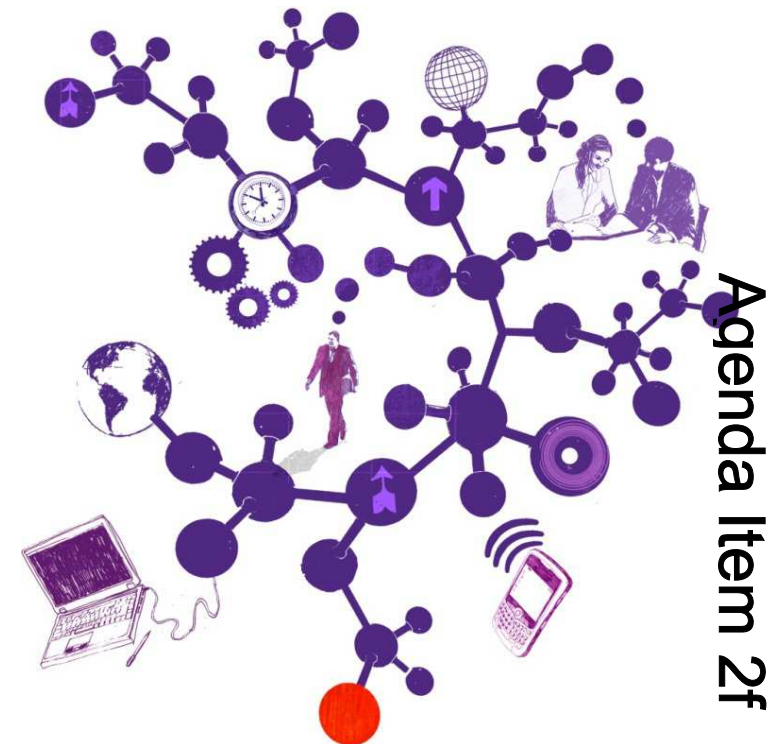
28 April 2015

Page 69

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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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# Contents

<b>Section</b>	<b>Page</b>
Introduction	4
Progress at 31 March 2015	5
Emerging issues and developments	
Grant Thornton	7
Local government issues	8
Accounting and audit issues	10
Glossary	14

Page 71

# 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](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- All aboard? our 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
- 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.

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Steve Johnson      Audit Manager              M 07880 456134

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# Progress at 31 March 2015

Work	Planned date	Complete	Comments
<p><b>2014/15 Accounts Audit Plan</b></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>	28 April 2015.	Yes	Initial planning work is complete and reported in the audit plan presented to this meeting.
<p><b>Interim accounts audit</b></p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed work for the Value for Money conclusion.</li> </ul>	January to April 2015.	Yes	Our initial review of the Council's control's and our early substantive testing is now complete. Our findings are reported in the Audit Plan.
<p><b>2014/15 final accounts audit</b></p> <p>Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2014/15 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July to September 2015	Not yet due	The audit of the 2014/15 financial statements will be undertaken between July and August 2015 and reported to the September Audit Committee to meet the 30 September 2015 deadline.

# Progress at 31 March 2015

Work	Planned date	Complete	Comments
<p><b>Value for Money (VfM) conclusion</b></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"> <li>• <b>proper arrangements in place for securing financial resilience.</b> 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.</li> <li>• <b>proper arrangements for challenging how it secures economy, efficiency and effectiveness.</b> The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</li> </ul>	February 2015 to September 2015.	Not yet due	<p>An interim risk assessment has been made and is reported in the Audit Plan.</p> <p>The detailed work will continue through to September 2015, when we are required to give our VfM conclusion.</p>
<p><b>Certify the Council's WGA accounts</b></p>	September 2015.	Not yet due	To be completed as part of the final accounts audit
<p><b>Grant claims and certification.</b></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 of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard1/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

**Governance of the organisation** – the main area of concern highlighted in this year's governance survey  
Is the level of dissatisfaction with the scrutiny process.

**Governance in working with others** – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

**Governance of stakeholder relations** – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

We conclude that local authorities need to ensure that their core objectives and values are fulfilled through Many other agencies . This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are a transparent as possible for stakeholders.

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



# Independent Commission into Local Government Finance

## Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
- Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
- Multi-year financial settlements
- The ability to raise additional revenue through the relaxation of the rules on fees and charges

'Pioneer' authorities would also implement:

- Single placed-based budgets for all public services
- Management of funding equalisation across a sub-national area
- Further council tax reforms including the ability to vary council tax bands and undertake revaluations
- Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
- The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

## Issue for consideration:

Have members been briefed Finance Community of Practice Lead on the key findings of the Independent Commission's final report?

## Management response:

This will form part of a report to the next Audit Committee meeting.

# DCLG – Build to rent scheme

## Local government issues

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

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

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

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

### Issue for consideration:

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

### Management response:

The report will be considered by the Senior Leadership Team (SLT) and comments will form part of a report to the next Audit Committee meeting.

# Provision for Business Rates Appeals

## Accounting and audit issues

### Unlodged appeals

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

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

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

### Utilisation of provision

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

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

### Issues for consideration:

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

### Management response:

This will be worked through as part of the compilation of the Council's NNDR3 return for 2014/15 and the methodology for the business rates provision will be agreed in advance with the Council's external auditors.



# Early payment of pension contributions

## Accounting and audit issues

During 2014/15 some local authorities paid pension fund deficit contributions covering three years (2014/15 to 2016/17). By doing this the local authority benefits from a discount on the total amount payable resulting in a lower overall charge.

Due to the amounts involved, some authorities are seeking to spread the impact of the payment over the three-year period. In doing so, they must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year as defined by regulation 30 of [The Local Authorities \(Capital Finance and Accounting\) \(England\) Regulations 2003](#).

We expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. The accounting judgements and treatment should reflect the advice received and should be documented accordingly.

Where an authority has received legal advice that the up-front payment can be recognised in the general fund over three years, based on our understanding of the arrangement we would expect the total amount to be reflected in the pension fund liability. This means that the pension reserve will not equal the pension liability. We expect the background to the transactions and the reason for the difference to be disclosed in a note to the accounts.

### Issue for consideration:

- Has your authority paid pension fund contributions covering more than one year and if so has your Finance Community of Practice Lead obtained legal advice and documented their judgement on accounting for the early payment of pension contributions?

### Management response:

The Council has not paid pension fund contributions covering more than one year.

# Inclusion of overtime in the calculation of holiday pay

## Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

### Issue for consideration:

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?

### Management response:

This is deemed not to be material.

# Earlier closure and audit of accounts

## Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 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.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.

# Glossary

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Abbreviation	Detail
DCLG	Department for Communities and Local Government
EAT	Employment Appeal Tribunal
HCA	Homes and Community Agency
VFM	Value for Money
VOA	Valuation Office Agency
WGA	Whole of Government Accounts



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# Agenda Item 3

At a Meeting of the **AUDIT COMMITTEE** held at Meeting Room 3, Council Offices, Kilworthy Park, Drake Road, **TAVISTOCK** on **TUESDAY** the **28<sup>th</sup>** day of **APRIL 2015** at **11.00 am**.

**Present:** Cllr D K A Sellis – Chairman  
Cllr T J Hill Cllr M Morse  
Cllr J Sheldon

Monitoring Officer  
Finance Community of Practice Lead  
Specialist (Accountant Business Partner)  
Head of Devon Audit Partnership  
Audit Manager – Devon Audit Partnership  
Committee & Ombudsman Link Officer

**In attendance:** Mr S Johnson – Grant Thornton – Audit Manager  
Mr B Morris – Grant Thornton – Director

**AC 41 APOLOGY FOR ABSENCE**

An apology for absence was received from the Vice-Chairman, Cllr J B Moody.

**\*AC 42 ITEM REQUIRING URGENT ATTENTION**

The Chairman reported that Agendum 5 – Devon Pension Fund, had been withdrawn from the Agenda because it had been included in error.

**\*AC 43 CONFIRMATION OF MINUTES**

The Minutes of the Meeting held on 24<sup>th</sup> February 2015 (page 6 to the Agenda) were confirmed and signed by the Chairman as a correct record.

**AC 44 ANNUAL REVIEW OF THE COUNCIL'S CONSTITUTION**

The Monitoring Officer presented a report (page 25 to the Agenda) seeking the Committee's approval to request Council to adopt the updated Constitution. The Constitution had been amended during the year to reflect that changes that had occurred which had affected the Council and to incorporate any changes necessary to ensure that the Constitution was up-to-date, lawful and reflected the Council's current practices.

The proposed main amendments, as detailed in paragraph 2 of the Officers' report and shown highlighted on the Council's web site, were:

**Hub Committee:** Council had approved the establishment of the Hub Committee to replace both the Community Services and Resources Committees with effect from Council's Annual Meeting on 19<sup>th</sup> May 2015. The terms of reference for the Hub Committee were set out in Part 3 of the Constitution and which, in essence, merged the responsibilities of the two former committees.

Clarification was still ongoing about the new ways in which the Council would deliver its services and delegated authority was sought for the Monitoring Officer to further amend the details of the responsibilities

(specific service area etc) for the Hub Committee to ensure a fit for purpose remit was available for the new Council.

**Overview & Scrutiny Panels:** changes had been made to Part 3 of the Constitution (terms of reference for Committees) and Part 4 (Overview & Scrutiny Rules) in order to reflect the Council's agreement to replace the single Committee with two Overview & Scrutiny Committees. Further consequential amendments had been made throughout the Constitution to reflect the change to two Committees and the detailed terms of reference would be finalised at the first meetings of the two Committees.

**Sealing:** it was proposed that, in view of the agile working arrangements under T18, sealing of the Council's documents be undertaken by the Monitoring Officer (or a duly authorised member of the Monitoring Officer's team) without requiring the Mayor or another Member of the Council to also authorise in order that urgent matters can be attended to from remote locations.

**Part 7: Management Structure:** to be revised and attached to the Constitution following the finalisation of the T18 Structure.

Additionally, authority was also being sought to delegate the new powers under the Anti-Social Behaviour, Crime and Policing Act 2014 to the Community of Practice Environmental Health Lead/Divisional Environmental Health Officers/Customer First Group Manager (depending on appointments) to:

- (i) be the proper Officer for this Act;
- (ii) make Public Space Protection Orders;
- (iii) issuing fixed penalty notices with a penalty of £100;
- (iv) serving community protection notices
- (v) making closure orders; and,
- (vi) to decide the local threshold for the Community Trigger.

It was **RESOLVED** to **RECOMMEND** that:

- (i) the amendments to the West Devon Borough Council Constitutions 2015 (as summarised above and fully outlined on the Council's web site) be approved and adopted;
- (ii) the Monitoring Officer be authorised to make further amendments to the Hub Committee and Overview & Scrutiny Committee functions and areas of responsibility in order to reflect the emerging T18 structure; and,
- (iii) the Environmental Health Community of Practice Lead/Divisional Environmental Health Officers/Customer First Group Managers be authorised to undertake matters under the Anti-Social, Crime and Policing Act 2014 as set out above.

## AC 45

### **INTERNAL AUDIT – PROGRESS AGAINST THE 2014/15 PLAN**

The Head of Devon Audit Practice presented a report (page 30 to the Agenda) on the principle activities and findings of the Council's Internal Audit Team. Two appendices were presented with the report with Appendix A (page 36 to the Agenda) showing the progress being made in carrying out the planned audits and, Appendix B (page 39 to the



Agenda) which gave a summary of the main issues raised for audits where a final report had been issued and action agreed. Additionally, Appendix A had been extended to show the final position for each audit and it also replicated a part of the monthly monitoring report presented to the S.151 Officer.

Arising from a discussion on Housing Benefits Debtors (Appendix B page 43 to the Agenda) the Committee was advised that the Council had a hardship fund to assist those who had unwittingly received overpayments and that to reclaim those overpayments would cause in extreme hardship. To help in mitigating overpayment a business case was being considered for the provision of additional staff.

It was **RESOLVED** to **RECOMMEND** that:

- (i) both the report and the progress against the 2014/2015 Internal Audit Plan be noted; and,
- (ii) a report on the payment and recovery of over payments of housing benefits be presented to the Committee's next meeting.

**\*AC 46            UPDATE ON INDICATORS FROM THE AUDIT COMMISSION'S VALUE FOR MONEY PROFILE TOOL**

Arising from Minute No AC 32 – 2014/2015, the Finance Community of Practice Lead presented a report (page 47 to the Agenda) on the latest indicators available from the Audit Commission's Value for Money Profile Tool. The recourse to the Audit Commission's VfM Tool arose from two questions raised by the Committee at its Meeting on 24<sup>th</sup> February 2015 in relation to Grant Thornton's Value for Money report. The questions raised were in relation to the costs associated in providing the Council Tax Benefit and Housing Benefit systems.

The Committee had been concerned that the cost of providing the benefits service appeared high both in terms of administration costs and costs per head. The most recent available data from 2013/2014 for Housing and Council Tax Benefit administration and the Net Spend Indicators clearly showed that the Council's spend per head of population had reduced and was favourably placed lower than the average District Council cost per head of population. The Net Spend per Head Indicators suggested that the Council was on a par with other District Councils.

It was **RESOLVED** that the report be noted and that its content be welcomed and this be conveyed to the Council via an article in the Bulletin.

**\*AC 47            THE AUDIT PLAN FOR WEST DEVON BOROUGH COUNCIL**

The Council's External Auditors, Grant Thornton LLP, presented a report (page 51 to the Agenda) updating the Committee on the External Audit Plan 2014/2015. The report identified three significant risks and risks of a lesser nature and the work undertaken to mitigate those risks. Further, Grant Thornton had undertaken a risk assessment to identify any areas of risk to their Value for Money Conclusion. The results of the Value for Money audit work and key messages arising would be reported in the Audit Findings report and the Annual Audit Letter.

An Action Plan was presented with the report (page 68 to the Agenda) and this showed that the one item identified for action had been dealt with immediately.

Arising from the discussion thereon, Grant Thornton said that the Internal Audit regime was robust and provided excellent financial information and the Finance Community of Practice Lead reported that the call on the T18 redundancy budget was within available funds.

It was **RESOLVED** that the report be noted.

**\*AC 48**

**WEST DEVON BOROUGH COUNCIL AUDIT COMMITTEE UPDATE**

The Council's External Auditors, Grant Thornton LLP, presented a report (page 71 to the Agenda) on the progress being made on delivering their responsibilities as the Council's external auditors. The 2014/15 Accounts Audit Plan and the Interim Accounts Audit had both been completed and the reports of those items had been included in the report mentioned above (Minute No. AC 46). The final accounts audit would be undertaken between July and September and reported to the Committee's meeting on 30<sup>th</sup> September 2015. The Value for Money Conclusion work was on-going and, again, would be reported to the Committee's next meeting in September. Work on the Certification of the Council's Whole Government Accounts would begin in June, for completion by November 2015.

Arising from the discussion thereon and in relation to Minute No AC 44 above, Grant Thornton reported that they could provide appropriate Overview & Scrutiny training for Members of the Council should it be required. The workshops/training could be provided when Grant Thornton were no longer the Council's appointed external auditors.

It was **RESOLVED** that the report be noted.

**\*AC 49**

**CHAIRMAN'S REMARKS**

This being the last meeting of the Committee in this Council, the Chairman took the opportunity of thanking both the Members and officers and the external auditors, Grant Thornton, for their commitment to the Committee during the life of the Council.

(The Meeting terminated at 12.45 pm)