

**AUDIT COMMITTEE (REVISED)**

A meeting of **Audit Committee** will be held on

**Tuesday, 18 June 2019**

commencing at **9.30 am**

The meeting will be held in the Churston Room - Town Hall

**Members of the Committee**

Councillor Dart  
Councillor Heyse  
Councillor Hill  
Councillor Howgate

Councillor Kennedy  
Councillor Loxton  
Councillor O'Dwyer

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**A prosperous and healthy Torbay**

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For information relating to this meeting or to request a copy in another format or language please contact:

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# AUDIT COMMITTEE AGENDA

1. **Election of Chairman/woman**  
To elect a Chairman/woman for the 2019/2020 Municipal Year.
2. **Appointment of Vice-Chairman/woman**  
To appoint a Vice-Chairman/woman for the 2019/2020 Municipal Year.
3. **Apologies**  
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
4. **Minutes** (Pages 4 - 6)  
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 26 March 2019.
5. **Declarations of interests**
  - (a) To receive declarations of non pecuniary interests in respect of items on this agenda  
**For reference:** Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
  - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda  
**For reference:** Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.  
  
(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
6. **Urgent Items**  
To consider any other items that the Chairman decides are urgent.
7. **Audit Committee Terms of Reference** (Pages 7 - 9)  
To note the Audit Committee's Terms of Reference as approved at the Adjourned Annual Council meeting on 28 May 2019 and set out in the Council's Constitution.

8. **Annual Audit Report 2018-19** (Pages 10 - 39)  
To consider the Annual Audit Report.
9. **Annual Governance Statement 2018/2019** (Pages 40 - 56)  
To consider the draft Annual Governance Statement for 2018/2019.
10. **Treasury Management Outturn 2018/19** (Pages 57 - 70)  
To note a report that informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2018/19.
11. **Corporate Performance Report: Quarter 4 2018/19** (Pages 71 - 82)  
To note the Performance Report 2018/19 for Quarter 4.
12. **Audit Progress Report and Sector Update** (Pages 83 - 93)  
To note a report that provides details on the progress Grant Thornton has made in delivering their responsibilities as the Council's external auditors.



## Minutes of the Audit Committee

26 March 2019

-: Present :-

Councillor Tyerman (Chairman)

Councillors Barnby, O'Dwyer and Morey

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### 167. Apologies

An apology for absence was received from Councillor Long.

### 168. Minutes

The Minutes of the meeting of the Audit Committee held on 22 January 2019 were confirmed as a correct record and signed by the Chairman.

### 169. Urgent Items

The Committee considered the item in Minute 170, and not included on the agenda, the Chairman being of the opinion that they were urgent by reason of special circumstances i.e. the matter having arisen since the agenda was prepared and it was unreasonable to delay a decision until the next meeting.

### 170. Housing Benefit Subsidy Claim 2017/18

Members considered an exempt letter that had been sent to the Department for Work and Pension in response to the Housing Benefit 2017/18 Subsidy Claim. Members sought details regarding the levels of testing undertaken by external and internal audit as well as actions being taken by the Senior Leadership Team to ensure the quality control processes are in place when processing claims. The Council has also decided that a fundamental review of its Housing Benefit processing should be undertaken and is working with the Local Government Association and Civica as to their support in order to review our current operations and identify learning.

Resolved:

- i) That a further update report be presented to a future Audit Committee, that the update include details of the level of testing performed to date and results thereof; and
- ii) that an update be circulated to the Mayor and Groups Leaders.

**171. Internal Audit Strategy**

Members noted the Internal Audit Strategy which is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Internal Audit Charter.

**172. Internal Audit Charter**

The Committee noted the Internal Audit Charter which formally described the purpose, authority and principal responsibilities of the Council's Internal Audit Service.

**173. Internal Audit Plan 2019-20**

The Audit Committee noted the audit plan which sets out the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Chief Finance Officer and members with assurance on the control framework to manage the risks identified. Members further noted the plan will remain flexible and any changes will be agreed formally with management.

**174. Corporate Performance Report Quarter 3**

The Corporate Performance Report for Quarter 3 was noted.

**175. LGA Finance Peer Challenge Action Plan - Progress Update**

The Director of Corporate Services provided Members with an update on the actions set out in LGA Finance Peer Challenge – Action Plan.

**176. External Audit Plan - Year Ending 31 March 2019**

Members noted a report that that provided an overview of the planned scope and timing of the statutory audit of Torbay Council. Grant Thornton as the Council's External Auditors will form and express an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance the Audit Committee; and
- Value for money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

Members further noted that the audit approach was based on a thorough understanding of the Authority's business and was risk based.

**177. Audit Progress Report and Sector Update**

Members noted a report which detailed the progress Grant Thornton has made in delivering their responsibilities as the Council's External Auditors. The report also included a summary of emerging national issues and developments that may be relevant to the Council.

Chairman/woman

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**Schedule 4 – Terms of Reference**  
**Overview and Scrutiny Board and Sub-committees, Regulatory and Other Committees,**  
**Area Committees, Working Parties and Other Bodies**

Name and Terms of Reference	Membership
<p><b>Audit Committee:</b></p> <ol style="list-style-type: none"> <li>1. To consider the Head of Internal Audit’s annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council’s corporate governance arrangements.</li> <li>2. To consider summaries of specific Internal Audit reports as requested.</li> <li>3. To consider reports dealing with the management and performance of the providers of Internal Audit Services.</li> <li>4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.</li> <li>5. To consider the External Auditor’s Annual Letter, relevant reports, and the report to those charged with governance.</li> <li>6. To consider specific reports as agreed with the External Auditor.</li> <li>7. To comment on the scope and depth of external audit work and to ensure it gives value for money.</li> <li>8. To liaise with the Public Sector Audit Appointments Ltd over the appointment of the Council’s external auditor.</li> <li>9. To commission work from Internal and External Audit within approved resources.</li> <li>10. To support the Council’s compliance with the CIPFA Code of Practice for Treasury Management in Public Services including the role as nominated Committee to be responsible for ensuring effective scrutiny of the capital</li> </ol>	<p>7 members of the Council excluding members of the Cabinet, in accordance with the political balance requirements</p> <p>Conservative (3)</p> <p>Liberal Democrat (3)</p> <p>Independent Group (1)</p>

Name and Terms of Reference	Membership
<p>strategy, treasury management strategy and policies.</p> <p>Regulatory Framework</p> <p>11. To maintain a strategic overview of the Council’s Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (the primary responsibility for considering and ensuring that the constitution is fit for purpose lies with the Monitoring Officer and the Standards Committee in relation to the codes of conduct).</p> <p>12. To maintain a strategic overview of the Council’s compliance with the prevailing Accounts and Audit Regulations.</p> <p>13. To review any issue referred to it by the Chief Executive, a Director, the Monitoring officer, Section 151 Officer (Chief Finance Officer) or any Council body.</p> <p>14. To monitor the effective development and operation of risk management and corporate governance in the Council.</p> <p>15. To monitor council policies on ‘Raising Concerns at Work’ and the ‘Anti-fraud and corruption strategy’ and the Council’s complaints process.</p> <p>16. To consider the findings of reviews of the effectiveness of the system of internal control including the Annual Governance Statement and to recommend its adoption.</p> <p>17. To oversee the Council’s arrangements for corporate governance and consider necessary actions to ensure compliance with best practice.</p> <p>18. To review the Code of Corporate Governance.</p> <p>19. To monitor the Council’s compliance with its own and other published standards</p>	



Name and Terms of Reference	Membership
<p>and controls.</p> <p>20. To maintain a strategic overview of the Council’s compliance with the Regulation of Investigatory Powers Act 2000 (RIPA).</p> <p>Accounts</p> <p>21. To consider the External Auditor’s report to those charged with governance on issues arising from the audit of the accounts.</p> <p>22. On behalf of the Council, to consider and approve the annual statement of accounts.</p>	

# Internal Audit

## Annual Audit Report 2018-19

### Torbay Council Audit Committee

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May 2019



Robert Hutchins  
Head of Audit Partnership

Auditing for achievement



Agenda Item 8

## Introduction

The Audit Committee, under its Terms of Reference contained in Torbay Council's Constitution, is required to consider the Chief Internal Auditor's annual report, to review and approve the Internal Audit programme, and to monitor the progress and performance of Internal Audit.

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

The Internal Audit plan for 2018/19 was presented and approved by the Audit Committee in March 2018. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2018/19, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

The Public Sector Internal Audit Standards require the Head of Internal Audit to provide an annual report providing an opinion that can be used by the organisation to inform its governance statement. This report provides that opinion.

### Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

- 1 • the assurance statement within this report;
- the basis of our opinion and the completion of audit work against the plan;
- the scope and ability of audit to complete the audit work;
- audit coverage and findings provided;
- the overall performance and customer satisfaction on audit delivery.

In review of the above the Audit Committee are required to consider the assurance provided alongside that of the Executive, Corporate Risk Management and external assurance including that of the External Auditor as part of the Governance Framework (see appendix 4) and satisfy themselves from this assurance for signing the Annual Governance Statement.

**Robert Hutchins**  
**Head of Devon Audit Partnership**

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## Opinion Statement

Overall, based on work performed during 2018/19 and our experience from previous years, the Head of Internal Audit's Opinion is one of "Limited Assurance" on the adequacy and effectiveness of much of the Authority's internal control framework. The exception to this is the Corporate Directorate where we were able to provide 'Substantial Assurance'. In the case of certain Directorates our assurance is limited by the level of audit coverage, for example the audit coverage for Adults is mainly provided externally. Our audit planning process is based on a risk approach and as such our report will inevitably focus upon higher risk areas.

*This opinion statement will provide Members with an indication of the direction of travel for their consideration for the Annual Governance Statement see appendix 4. Assurance over arrangement for adult social care is mainly provided by colleagues at Audit South West, the Internal Audit provider for Health Services, who provides a separate letter of assurance.*

The Authority's internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the details of Internal Audit's opinion on each audit review carried out in 2018/19 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2018/19.

In carrying out systems and other reviews, Internal Audit assesses whether key, and other, controls are operating satisfactorily within audit reviews, and an opinion on the adequacy of controls is provided to management as part of the audit report. All final audit reports include an action plan which identifies responsible officers, and target dates, to address control issues identified. Implementation of action plans rests with management and these are reviewed during subsequent audits or as part of a specific follow-up.

We have included a new Summary Assurance Opinions chart on page 3 which provides a "Themed" overview. We have RAG rated the audit areas covered to identify what our assurance is relative to the audit plan.

This statement of opinion is underpinned by:

### Internal Control Framework

The control environment comprises the Council's policies, procedures and operational systems and processes in place to:

- Establish and monitor the achievement of the Council's objectives;
- Facilitate policy and decision making;
- Ensure the economical, effective and efficient use of resources;
- Ensure compliance with established policies, procedures, laws and regulations;
- Safeguard the Council's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.

During the year, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors, creditors, payroll & Main Accounting) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during the year. Where internal audit work has highlighted instances of none or part compliance, none are understood to have had a material impact on the Authority's affairs.

### Risk Management

Strategic Risk Management remains in place, integrated with regular performance monitoring at Senior Level. We have been engaged in processes to support the inclusion of ICT Continuity and Disaster Recovery, Corporate Business Continuity and Emergency Planning. Work to integrate this at operational level remains ongoing.

### Governance Arrangements

Governance has been reviewed in Transformation (i.e. the Investment Committee; engagement at Board Level in both Children's Services and Commercialisation), various System Implementations, and Projects, where opportunities were found for improvement, including cross Council Programme Management. Governance in relation to information management is provided by the Information Security Group.

### Performance Management

Performance Monitoring is integrated into the Risk Management reporting to and monitoring by SLT. Transformation Portfolio performance is monitored by the Transformation Board and sub programme boards. For other contracts, monitoring and governance is variable across the Authority and opportunities for improvement identified. Performance of ICT provision is monitored but is undergoing a review to reflect changes in the service delivery model.

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

# Summary Assurance Opinions

Service Area Overview of Audit Coverage				
Children's Services	Adult Services and Housing	Public Health	Place	Corporate
Placement Activity	Commissioning and Performance Management (non-integrated care organisation)	Health Protection and Infection Control	Tor Bay Harbour Authority	Material Systems - Asset Register; Income Collection; FIMS system Admin; IBS System Admin; Treasury Management; GL and Bank Reconciliation; Creditors and POP; Payroll; Benefits and CT support scheme; CT and NNDR;
Schools FVS			Museum Services - Torre Abbey	
Maintained School Audit Programme	Care Act - Better Care Fund / Section 256 monies	Commissioned Services - Contracts Management and Monitoring (Sexual Medicines Service)	Food Safety, Safety, & Licensing	Material Systems - Debtors and Corporate Debt ICT - Website Content; ICT KFS - Business Continuity and Disaster Recovery (follow up) HR Exit Packages Coroner Legal Services - cross Council use of Legal Covert Surveillance of Social Networking Sites Printing Services and Post Housing Services Contract Monitoring - Library Service
Contracted Services (Info, advice, guidance)			Concessionary Fares	
Section 17 Payments			Section 106 (including infrastructure levy)	
Use of Agency staff and control of safeguarding employee costs			Sports Pitch Leases	
Children's Services Medium Term Financial Strategy / Improvement Plan			Contract monitoring - Public Toilets	
Education Services ROI CIPFA Return	Torbay Community Development Trust - independent review	Local Transport Implementation Plan / Strategic Transport	Brixham Ferry	Transformation - Transformation Potfolio; ICT Service Delivery ICT - Major ICT Systems Projects; GDPR Project: GDPR IAR Material Systems - Benefit Subsidy; TOAD replacement and Facility Management System Implementation
Grant Certification		Neighbourhood Forums	Parking Services	
			Port Marine Safety Code	Information Security Group HR/Payroll System (MyView) Risk Management, Emergency Planning, BCP
			Grant Certification	

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**Key:** Green = High or Good Standard    Amber = Improvements Required    Red = Fundamental Weaknesses    Blue = Opportunity or Value Added

## Value Added

We know that it is important that the internal audit service seeks to "add value" whenever it can. We obtained feedback from those audited during the year who considered we were able to add value, for example one manager commented:

*'points us in the direction for improvements in control and can also now discuss how other customers may have adapted procedures etc'.*

We believe internal audit activity can add value to the organisation and its stakeholders by:

- providing objective and relevant assurance;
- contributing to the effectiveness and efficiency of the governance, risk management and internal control processes.

We trust that Senior Management has found our engagement, support as a "trusted advisor" effective and constructive in these significantly changing times.

We further trust that our work has provided specific added value benefits in key areas and in mitigating key risks. For example:-

## Public Health

- Undertaking an additional piece of independent consultancy work on the Torbay Community Development Trust at the request of the client;
- the development of future years audit plans to cover new and emerging risk.

## Adult Services

- liaison support in relation to the working relationship between the Council and Audit South West;
- provision of IT audit resource to Audit South West to support this element of their plan.

## Children's Services

- reviewing compliance against expected procedures when hiring agency staff;
- examining the concern raised regarding the education spend level against comparator data;
- assistance in maintaining the impetus in management action plans to address previously identified risks via an annual follow up exercise;
- assistance in maintaining appropriate engagement with the internal function through regular management liaison meetings;

- development of the current year's and future years audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing and new or emerging risks.

## Corporate Services

- ongoing operational support to various projects within the transformation portfolio, including ongoing horizon scanning and benchmarking against other Local Authorities in relation to Contract Processes; Community Engagement to support service delivery; and Concessionary Fare schemes; Payroll Service delivery review; ICT Service delivery review. We have also been engaged in both Commercialism Programme and Children's Services Programme at Board level.
- additional support in relation to the external audit requirement for benefit subsidy;
- continued support to the GDPR project, including further development of the Council's Information Asset Register (IAR) and supporting guidance such as retention policy;
- ongoing support to projects as required, including HR Self Service, Asset and FM; Housing system; Purchase cards and FIMS;
- attendance at the Information Security Group providing continued advice, guidance and challenge
- ongoing advice and support to the development of risk management and its wider integration with business continuity and Transformation

## Place

- additional request for review of Tor Bay Harbour Authority Port Marine Safety Code Compliance;
- additional request for review of Neighbourhood Forums and the Brixham Ferry;
- a review of whether the strategic direction of the Harbour Authority is aligned with that of the Council.
- reviewing processes in place to ensure the robust control of payments from imprest or petty cash accounts at Torre Abbey.

## Schools

Continued assurance through the routine internal audit visits that systems and controls are in place to ensure compliance with Department for Education and Council requirements are being met.

## Audit Coverage and performance against plan

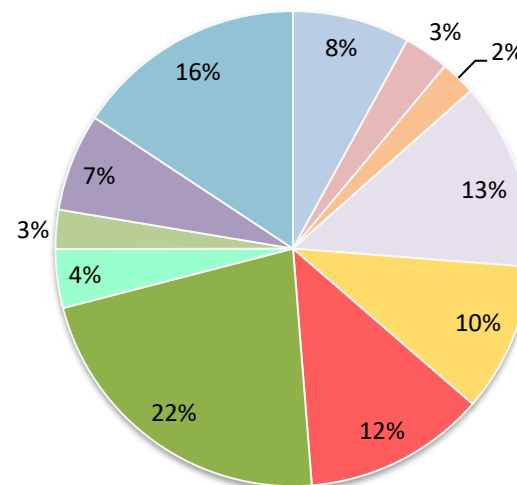
The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2018/19, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

Appendix 6 shows the performance indicators for audit delivery in 2018/19 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take.

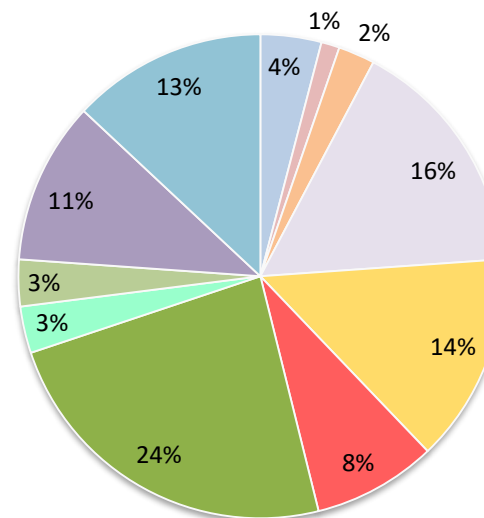
When the fieldwork is actually completed there is inevitably a variance from the planned days. In addition, we provide an allowance for work on areas such as fraud and corruption; in some years the requirement will exceed the planned budget and in others the need for our resource will be less than planned. It should also be noted that some audits required a richer mix of staff resource due to the complexity / sensitivity of the area under review.

### Audit Plan 2018-19



- Transformation
- Adult Services and Housing
- Public Health
- Children's Services
- Place
- Corporate and ICT
- Key Financial Systems
- Schools
- Grant Certification
- Anti Fraud & Corruption, FOI & SAR
- Other Chargeable Activities

### Audit Delivery 2018-19



- Transformation
- Adult Services and Housing
- Public Health
- Children's Services
- Place
- Corporate and ICT
- Key Financial Systems
- Schools
- Grant Certification
- Anti Fraud & Corruption, FOI & SAR
- Other Chargeable Activities

## Irregularities Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability.

Devon Audit Partnership (DAP) has taken on a liaison role with the Corporate Fraud Officer; the key outcomes of this role are the identification and investigation of external frauds.

The Cabinet Office now run the national data matching exercise (National Fraud Initiative – NFI) every two years. The majority of data matching for this involves the investigation of potential external fraud committed against the Authority, i.e. individuals or bodies external to the Council. This area of NFI has now been taken on by the corporate fraud officer, with advice and assistance from DAP as required.

DAP has continued to undertake an annual monitoring of staff internet use and to date found no significant concerns. This provides assurance that action has been effective and such use remains within policy. The Council’s Whistleblowing Inbox is also monitored daily.

Periodic fraud bulletins are also produced and published on DAP’s website.

**Irregularities** – During the 2018/19 year, Internal Audit have carried out, or assisted in seventeen irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

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Issue	18/19 Number	17/18 Number
Poor Procedures	2	8
Employee Conduct	9	4
Financial Irregularities	3	1
IT Misuse	2	0
Theft	1	0
Misappropriation of Income	0	1
<b>Total</b>	<b>17</b>	<b>14</b>

### Summary details as follows:-

The irregularities have included; reviewing officer conduct following allegations; reviews of officer internet and email use; support to standards investigations; irregular administrative and financial practices, and minor theft.

### Freedom of Information and Subject Access Requests:-

We were asked to assist with four requests under Freedom of Information and Data Protection requirements.



## Appendix 1 – Summary of audit reports and findings for 2018/19

### Risk Assessment Key

LARR – Local Authority Risk Register score Impact x Likelihood = Total & Level  
 ANA - Audit Needs Assessment risk level as agreed with Client Senior Management  
 Client Request – additional audit at request of Client Senior Management; no risk assessment information available




### Direction of Travel Assurance Key

**Green** – action plan agreed with client for delivery over an appropriate timescale;  
**Amber** – agreement of action plan delayed or we are aware progress is hindered;  
**Red** – action plan not agreed or we are aware progress on key risks is not being made.  
 \* report recently issued, assurance progress is of managers feedback at debrief meeting.





## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<b>Transformation</b>			
Transformation Portfolio - project 'trusted advisor' role (ANA – Critical) Risk / ANA - Critical  Page 17	Added Value  Status: Ongoing	<p>We continue to provide a dual role in both Audit assurance and operational delivery in line with programme and project timescales.</p> <p>As our Audit role provides us with a unique organisational position, we continue to provide reports resulting from our audit work where there's a direct link to Transformation Programmes and projects. These provide our opinion on specific areas along with any recommendations where we feel controls could be strengthened.</p> <p>In relation to specific Transformation Programmes and Projects, we have provided the following:</p> <ul style="list-style-type: none"> <li>• Children's Services ICT – initial support and advice including review of project documentation and identification of risk. We had concerns around the business case/PID document initially drawn up and provided our feedback, however this has been superseded by the Children's Services Transformation Programme, which we have been engaged in at Board level. We will continue to provide support to the sub projects as required.;</li> <li>• Commercialism Programme – attendance at and participation in Commercialism Board in an active Project assurance role;</li> <li>• Contract Review – Commenced benchmarking against other Local Authorities on certain aspects of Contract processes;</li> <li>• Transport and concessionary fares – provision of benchmarking information against a range of other Local Authorities in relation to concessionary schemes in operation and associated savings achieved where provided to us. We also attend the Concessionary Fare project meetings;</li> <li>• Spatial Planning – evaluation of the proposed collaborative arrangement with PCC</li> <li>• Community Engagement – benchmarking of community groups operated within other Local Authorities supporting delivery of Council services;</li> <li>• TOR2 – initial advice and support to ICT and Finance in relation to the potential early withdrawal from the TOR2 contract. Going forward we have been asked to provide support in relation to resolving issues leading into the 2020 transition.</li> </ul>	N/A




**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<ul style="list-style-type: none"> <li>Investment Committee – we have reviewed the Governance and supporting process arrangements.</li> </ul> <p>Our provision of relevant Local Government Publications to the Transformation team continues, which provides a view of projects and associated activities at other Local Authorities.</p> <p>It is pleasing to note that the Transformation Team resource has broadened since last year, however we would recommend that the Council reviews its position in terms of a broader Portfolio Management perspective integrating other Council projects that fall outside of the Transformation remit. This would provide the organisation with greater clarity on all projects and identify interdependencies, priorities and a method for identifying peaks in resource requirement.</p>	
Digitalisation, ICT Service delivery model Risk / ANA - Critical	Added Value  Status: Ongoing	We have undertaken this within the Transformation Programme. To date we have provided direct support to the review process and options appraisal reporting for alternative ICT Service delivery models. Following this we were engaged in the 'DELT' readiness project, however progression of an arrangement with DELT has been paused.	N/A
<b>Material Systems</b>			
Asset Register Risk / ANA -Medium	High Standard  Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Income Collection Risk / ANA - Medium	High Standard  Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
FIMS System Administration Risk / ANA - Critical	Good Standard  Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	



## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
IBS* System Administration Risk / ANA – High *International Business Systems	Good Standard Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Treasury Management Risk / ANA - Low  Page 60	Good Standard Status: Final	<p>A properly approved Treasury Management Strategy is in place; however, this is likely to require updating for the new year due to the new CIPFA Code that has been recently published. We note that the Council's Treasury Management Practices (TMPs) have already been updated in this regard.</p> <p>As in previous years, high operational standards continue to be maintained, with only minor issues being identified, and it is pleasing to note that a number of issues from previous years are no longer outstanding.</p> <p>Recommendations have been made, mainly to further strengthen existing controls, including: ensuring the recently drafted Business Continuity Plan is approved and tested; that training records are kept up to date, and that the reasoning behind any borrowing undertaken by the Council is formally recorded.</p>	
General Ledger and Bank Reconciliation (follow up) Risk / ANA - Medium	Good Standard Status: Final	Although a number of recommendations have been implemented, or implementation has commenced, there are still some that remain outstanding. With the exception of those where management have accepted the risks, it would be good to see them implemented before then end of the next financial year.	
Creditors and POP (follow up) Risk / ANA - High	Good Standard Status: Final	<p>Although a number of recommendations have been implemented, or implementation has commenced, there are still some that remain outstanding, including that relating to the authorisation of manual payments. With the exception of those where management have accepted the risks, it would be good to see them implemented before then end of the next financial year.</p> <p>We did not find any issues in relation to the adequacy of cover arrangements put in place to mitigate the risk of key officers within the department being absent for much of the year.</p> <p>We note that this year's audit has taken place against a backdrop of a moratorium on spend and understand that since mid-August, all revenue expenditure over £5k has been reviewed for necessity (in terms of contractual obligation, or whether the purchase is both essential and urgent), and a number of such orders have been cancelled or held as a result. The review was extended to all revenue expenditure in November.</p>	





**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Payroll Risk / ANA - Critical	Good Standard Status: Draft	<p>As in previous years, the control environment relating to the payroll system is generally robust, and only a small number of recommendations have been made. These include introducing an independent checking process where manual calculations are undertaken, and ensuring that where checks are already being undertaken, that these are made more effective.</p> <p>Other recommendations are those where risks have previously been accepted, and those remaining from previous years that have yet to be actioned. We are pleased to note that these have been reduced significantly this year due to their implementation.</p>	
Benefits and Council Tax Support Scheme Risk / ANA - Medium  Page 20	Good Standard Status: Final	<p>The walkthrough undertaken this year did not identify any new issues in terms of system design, and the controls in place are generally deemed to be sufficiently robust to prevent inappropriate or inaccurate amendments being made to the benefits system, and inaccurate payments being made.</p> <p>Progress is now being made in terms of improving the QC process and there are additional checks in place in relation to self-employed earnings claims. A small number of recommendations relating to both the QC process, and SE earnings remain outstanding.</p> <p>An additional issue was identified this year in that the required processes and checks relating to a payment in excess of £2k had not been undertaken, resulting in errors not being identified and a significant overpayment being made. Management will need to consider how, going forward, they can ensure that these important controls are operated.</p> <p>Our added value additional limited sample testing on earned income calculations in the 2018-19 year did not identify any errors.</p>	
Council Tax and National Non-Domestic Rates Risk / ANA - Medium	Good Standard Status: Final	<p>As part of our cyclical programme of work, this year's audit focussed on sample testing the main areas of processing; these being, VOA amendment schedules, liability calculations, application of discounts, exemptions and reliefs, refunds and clearing error reports. We are pleased to report that we did not find any issues in this regard.</p> <p>There are, however a number of control weaknesses within the design of the system itself that have been reported previously. Progress in these has been limited, and the majority have therefore been reported, with areas including: ensuring that eligibility for discounts, exemptions and reliefs is regularly reviewed, reviewing and clearing NNDR accounts in credit, updating procedures, monitoring QC activity levels and reviewing performance indicators.</p>	




**CORPORATE SERVICES**

Risk Area / Audit Entity	Audit Report		Direction of Travel Assurance
	Assurance opinion	Residual Risk / Audit Comment	
Debtors and Corporate Debt (follow up) Risk / ANA - High	Improvements Required Status: Final	<p>Although this year's opinion remains 'Improvements Required', we are pleased to report that there has been good progress in some areas, particularly in relation to the recovery of corporate debt. Many of these improvements are still in their initial stages however, so we will need to undertake further audit work next year to ensure they have become embedded and are operating effectively.</p> <p>Progress elsewhere has been limited due to the absence of a key officer for much of the year. This aside, we did not find any other issues in relation to the adequacy of cover arrangements put in place to mitigate the risk this absence.</p> <p>In terms of debt recovery / monitoring across the Council as a whole, again there has been limited progress in this regard. We understand this is now part of a wider Transformation project in this area; however, at the time of the audit, the project was still being scoped.</p>	
Benefit Subsidy Claim – additional 48+ testing. Risk / ANA: N/A	Added Value Status: Complete	Assurance was reported in this year's half year report; please refer to that report for details.	N/A
<b>IT Audit</b>			
Website Content Management Risk / ANA – Medium	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details. In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented earlier this year showing a positive direction of travel and an uplift in our assurance opinion.	
Major ICT systems projects ('trusted advisor role') Risk / ANA - High	Added Value Status: Ongoing	<p>As requested by our clients, we continue to be engaged in a number of ICT projects where we provide a project assurance role, including attendance at project meetings as required, and provision of advice and guidance within the role in line with project timescales. The projects we are currently engaged in are:</p> <p>Children's Services – ICT (now within the Children's Services Transformation Programme); Housing System (Homelessness); and Purchase Cards.</p>	N/A
GDPR (General Data Protection Regulations) Project Risk / ANA - High	Added Value Status: Ongoing	We continue to provide support to the GDPR project and as required also provide operational support. We are active members of the GDPR project team.	N/A

## CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
GDPR – Information Asset Register Risk / ANA – Client Request	Added Value Status: Ongoing	We have been engaged by the Council in supporting the development and completion of the Council's Information Asset Register and will also provide support to the review and update of the Council's Data Retention policy and guidelines	N/A
ICT Material Systems - Business Continuity and Disaster Recovery (follow up)  Risk / ANA – High	Improvements Required  Status: Draft	<p>Some progress has been made against agreed recommendations, in particular the safety of the data centre both in relation to potential environmental hazards and physical access controls. We understand that the current 'pause' in the ICT Service delivery partnership has impacted further progress being made against all recommendations.</p> <p>Risks remain in relation to 'out of hours' outages, which are currently not subject to monitoring, leaving the infrastructure potentially vulnerable during these times. Automated bandwidth monitoring, Disaster Recovery arrangements and Business Continuity Planning would all benefit from review regardless of the ICT Service delivery approach, and there may be benefit in early review of these areas within the potential ICT Service investment.</p> <p>Processes in relation to effective governance arrangements, configuration and operation of business systems remain at a good standard.</p>	 *
<p>The following audits have been deferred or cancelled at the request of the client:</p> <ul style="list-style-type: none"> <li>Client side function (IT) following outcome for service (ANA – High)</li> </ul>			
<b>Other</b>			
Human Resources (HR) - Exit Packages Risk / ANA - Medium	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details. In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented earlier this year.	
Coroner Service Risk / ANA - Low	Improvements Required Status: Final	Assurance was reported in last year's annual report; please refer to that report for details. In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented earlier this year.	
Legal Services – cross council use of legal advice Risk / ANA - Medium	Improvements Required Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	N/A
Covert Surveillance of Social Networking Sites	Improvements Required	Assurance was reported in this year's half year report; please refer to that report for details.	

**CORPORATE SERVICES**



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Risk / ANA – Client Request	Status: Final		
Printing Services and Post Room Risk / ANA - Medium	Improvements Required Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Housing Services (follow up) Risk / ANA - Medium	Improvements Required Status: Draft	<p>It is pleasing to note that in relation to risk 1 (Service not meeting its obligations), a sufficient number of recommendations have now been implemented to enable a 'Good Standard' level of assurance to be provided. There remains a concern in relation to compliance with Data Protection legislation, and we consider implementation of the recommendation to remove unnecessary markers from case files to be a high priority.</p> <p>In relation to the Top Up Scheme, we have been unable to obtain any information on progress since the last audit, so cannot provide any update in this area.</p> <p>The 'preventing homelessness' risk reviewed this year covered the administration of the Council's Bond Scheme, and the use of the Flexible Homelessness Grant.</p> <p>The Bond Scheme has only been the responsibility of the Housing Team for a few months, and there is no supporting guidance available to officers in terms of administering the Scheme, although we note that a walkthrough of one application found that it had, in the main been processed effectively. We have found issues, however, in relation to monitoring take up of, and payment into the Deposit Saving Scheme and in relation to the SLA with Plymouth City Credit Union. In addition, we are unable to provide assurance that bond monies are being paid out to landlords in line with Scheme requirements. A number of recommendations have been made accordingly.</p> <p>We have been unable to obtain any information in relation to how the Flexible Homelessness Grant has been used, so cannot provide assurance that it has spent in line with its intended purpose.</p>	 *
Contract Monitoring - Library Service Risk / ANA – Medium	Improvements Required  Status: Final	<p>Contract management and monitoring has been taking place in accordance with the contract, and we note from related meeting minutes that the contractor is seeking to enhance, develop and improve the library service</p> <p>The contract provides an appropriate framework for contract management, however there is no target or comparator data to enable assessment and challenge of the reported performance information at the quarterly contract meetings. We also noted concerns regarding the quality of data used for purposes of performance reporting.</p>	

## CORPORATE SERVICES



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Torbay Online Asset Database (TOAD) Replacement and FM System Implementation Risk / ANA - Medium	Added Value Status: Ongoing	We are engaged with the Project Leads in both the service area and ICT. We have initially evaluated the implementation and note that there is no formal project management structure. We will be reviewing the system in early 2019 when relevant modules have been implemented but will continue to provide ongoing advice and support as required.	N/A
Information Security Group Risks / ANA - N/A	Added Value Status: Ongoing	We maintain membership of, and attendance at, the Council's Information Security Group. Our role continues to provide advice, guidance and challenge in terms of active participation within the group. There remains concern re the level of data breaches and subject access requests (SAR). The resource requirement to investigate and respond to these is significant and currently impacts upon the other operational duties of the team	N/A
HR / Payroll System (MyView) - new modules implementation project Risk / ANA - High	Added Value Status: Ongoing	As and when required, we continue to provide support to the project as requested by the client and have provision to attend any project meetings as required.	N/A
Risk Management, Emergency Planning and Business Continuity Project Risks / ANA – Medium	Added Value Status: Ongoing	Although there has been limited activity in 2018-19 from a formal project perspective, we supported the then project team in developing the risk management strategy, and business continuity framework. The project team itself is no longer meeting, however we are progressing these elements with specific officers to support integration of these practices into the organisation.	N/A
The following audit is complete and awaiting debrief with the customer:			
<ul style="list-style-type: none"> <li>Health &amp; Safety (ANA – Medium)</li> </ul>			



**PUBLIC HEALTH**

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>Torbay Community Development Trust (TCDT) - Independent Review</p> <p>Risk / ANA – additional client request</p>	<p>N/A</p> <p>Status: Final</p>	<p>Assurance was reported in this year's half year report; please refer to that report for details.</p>	<p>N/A</p>
<p>Health Protection and Infection Control</p> <p>Risk / ANA – Medium, client request</p>	<p>Good Standard</p> <p>Status: Draft</p>	<p>Torbay Council use a Sector Led Improvement (SLI) self-assessment tool which was subject to approval by the Council's Public Health - Business and Governance group, prior to submission to the Association of Directors of Public Health (ADPH) as part of a wider South West England submission. The Council has not received feedback on their self-assessment submission, and this should be pursued.</p> <p>The ADPH self-assessment template, which has more of a strategic focus, is not currently used by the Council. Whilst the reason for an alternative template being used has not been established, it is acknowledged that alternative improvement tools can be used. We have, however, suggested that the Council may wish to consider using this alongside its own template in the future.</p> <p>Review of the most recent self-assessment found it to be appropriately supported with evidence in accordance with the self-assessment record.</p> <p>The Council's self-assessment tool has three level descriptors, whilst the national template has four level descriptors including 'Transformational'. We suggest that future iterations of the Council's self-assessment incorporate a fourth descriptor, given the Council's Transformation agenda and because almost half of the outcomes are recorded as the highest current level descriptor 'Excellent' with actions identified 'to achieve the next level'.</p> <p>In line with national ADPH publications, we also suggest that the Council seek and share good practice through the ADPH regions and report to and engage with local communities on their plans.</p>	<p> *</p>
<p>Commissioned Services – Contracts Management and Monitoring (Sexual Medicines Service)</p> <p>Risk / ANA – High, client request</p>	<p>Good Standard</p> <p>Status: Final</p>	<p>The contract provides a robust framework for good contract management including service specifications, quality outcome indicators, quarterly meetings and the provision of performance information. It also incorporates good provision via specific clauses for continuous improvement and as a result, the potential for a reduction in contract value.</p> <p>We found good evidence of appropriate scrutiny of performance through review of reports and at the quarterly meetings. However, we noted a failure on the part of the supplier to provide financial information in the first quarter of the contract, and deficiencies in some of the subsequently reported data. This had already been challenged but remains unresolved</p>	<p></p>

**ADULT SERVICES & HOUSING**







Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Care Act – Better Care Fund / Section 256 monies Risk / ANA – Critical	N/A Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Commissioning and Performance Management (non-Integrated Care Organisation - follow up) Risk / ANA – High	Good Standard Status: Final	<p>Our work this year has confirmed that there have been improvements in senior management reporting and oversight of future commissioning plans, and we noted that an options paper on future re-procurement was being prepared at the time of the audit. Additionally, related contracts are now appropriately included in the contracts register, and the arrangements with Healthwatch formalised within a new Service Level Agreement prior to the upcoming re-procurement exercise. Because of the actions taken by management, we have been able to increase our assurance in relation to the first risk area (non-compliance with statutory and regulatory requirements) to 'High Standard'.</p> <p>Although a performance scorecard is in place, we found that performance indicators for Healthwatch detailed in the annual plan are yet to be quantified and incorporated into the scorecard. And, apart from the quarterly reporting, we were unable to evidence the weekly performance monitoring for Langley House Trust.</p>	

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The following audits have been deferred to 2019/20 at the request of the client and have been scheduled for Q2 and Q3 respectively:







- Care Act – Better Care Fund / Section 256 monies follow up (ANA – Critical)
- Housing (ANA – Critical)





**CHILDREN'S SERVICES**


Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Placement Activity Risk / ANA: Medium, Ofsted	Good Standard Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Contracted Services (Information, Advice, Guidance) Risk / ANA: Medium	Improvements Required Status: Final	As above.	
Section 17 Payments Risk / ANA: Medium	Improvements Required Status: Final	As above.	
Use of Agency staff and control of Safeguarding employee costs Risk / ANA: High	Improvements Required Status: Final	As above.	
Education Services ROI CIPFA Return Risk / ANA: Client Request	Improvements Required Status: Final	As above.	
Children's Services Medium Term Financial Strategy (MTFS) / Improvement Plan Risk / ANA: High	Improvements Required Status: Draft	As above.	
Grants x 5 Risk / ANA: N/A	Certified Status: Complete	Grants certified comprise; Troubled Families, claims one to five	N/A
The following audits are nearing completion and a draft report will be issued soon: <ul style="list-style-type: none"> <li>Disability Services (ANA – Medium)</li> <li>Transition from Children's to Adults (ANA – Medium)</li> <li>Special Guardianship Orders (ANA – High)</li> </ul>		The following audits have been commenced and fieldwork is ongoing; our findings and draft report will be issued as soon as possible: <ul style="list-style-type: none"> <li>Early Help Strategy (ANA – Medium)</li> <li>Permanency Planning (ANA – High)</li> <li>Legal Care Proceedings (Review of operation of new process) (ANA – Medium)</li> </ul>	


## CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
The following audits have been deferred or cancelled at the request of the client: <ul style="list-style-type: none"> <li>• Children in Need Services / Child Protection (ANA – High)</li> <li>• Single Assessment (Casework) / MASH (ANA – High)</li> </ul>			
Schools Financial Value Standards (SFVS)	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2017/18 submitted to the Department for Education before the required submission date of 31 May 2018.	
Maintained Schools audit programme	Good Standard	The overall opinion for the routine school audit visits has been maintained as 'good standard' (refer to summary data below). The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.	
<b>Maintained Schools Summary Data</b>			<b>Assurance Opinion</b>
<b>The key matters arising from the audits are:</b> <ul style="list-style-type: none"> <li>• Transparency of governor information of school websites and the DfE's Get information about schools' website</li> <li>• School inventory records not being fully comprehensive with annual checks taking place.</li> </ul>			Good Standard

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Tor Bay Harbour Authority Risk / ANA – Medium	Good Standard Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Museum Services – Tor Abbey (follow up) Risk / ANA - Medium	Good Standard Status: Draft	<p>The majority of recommendations, particularly those deemed to be high risk, have either been implemented, or are in the process of being implemented. We are therefore pleased to report a change in our overall opinion to one of 'Good Standard'.</p> <p>The most significant risks remain in respect of non-completion of the Wedding and Events Master Spreadsheet, which was put in place to address a number of recommendations made in relation to tracking each event and ensuring all the required processes are being adhered to, including receipt of payment.</p> <p>In addition, our additional review of the petty cash control framework found that there is no process in place to undertake periodic reconciliations. Any discrepancies between the recorded balance in the petty cash tin, and the actual physical cash present, would currently go unnoticed, and we have made a recommendation accordingly.</p>	
Food Safety, Safety and Licensing Risk / ANA - High	Improvements Required Status: Final	<p>Assurance was reported in last year's annual report; please refer to that report for details.</p> <p>In addition, please refer to our annual Follow up of Areas requiring Improvement Report, presented earlier this year showing a positive direction of travel as is also reflected here.</p>	
Concessionary Fares - follow up Risk / ANA – Medium	Improvements Required Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Section 106 - follow up, including Infrastructure Levy Risk / ANA - Medium	Improvements Required Status: Final	As above	
Sports Pitch Leases - follow up Risk / ANA - Medium	Improvements Required Status: Final	As above	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Contract Monitoring - Public Toilet Provision Risk / ANA – Medium	Improvements Required Status: Final	<p>The contract provides an appropriate framework for contract management, however there remains a need to agree the key performance indicators, define related standards of performance and agree the reporting method to enable effective challenge at the quarterly contract management meetings.</p> <p>We acknowledge that the public toilet provision development stage remains ongoing and that this impacts the current ability of the Council to effect robust monitoring.</p>	
Local Transport Implementation Plan / Strategic Transport (LTIP) Risk / ANA - Medium  Page 30	Improvements Required Status: Final	<p>Assessment of the success of the delivery of the LTIP was not found to be subject to robust review and reflection at the end of its term leading to the risk that any failures as part of the process are not learnt and cannot inform future LTIP plans and delivery processes.</p> <p>Likewise, monitoring and review of the LTIP in its totality, and within the period of the Plan, was not found to be in place, though at an operational level processes and controls were good.</p> <p>The Plan considers local needs and changing priorities within the overall strategy of the overarching Local Transport Plan (LTP), is subject to appropriate Council approval at the start, but not subject to further scrutiny at this level after this point.</p> <p>Changes to funding available for the previous LTIP because of changing priorities at that time, have subsequently impacted on the current LTIP, with previous schemes unfinished and ongoing into the current LTIP, using current funding, which may not have been made apparent to Council.</p> <p>We understand that conflicting demands on the team may be impacting the delivery of the LTP / LTIP and contributing to the weaknesses identified, as such we have suggested that management explore the effectiveness of the use of resources in relation to this specific area and the wider Spatial Planning requirements.</p>	
Brixham Ferry Risk / ANA – Client Request	Fundamental Weaknesses Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	
Neighbourhood Forums Risk / ANA – Client Request	Fundamental Weaknesses Status: Final	Assurance was reported in this year's half year report; please refer to that report for details.	

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Parking Services Risk / ANA – High	Fundamental Weaknesses Status: Draft	<p>Although there is a Parking Strategy in place, some specific areas, such as enforcement, are covered by separate guidance which is now out of date. In addition, many of the detailed procedures are either lacking or are, again, out of date. We understand that the Department is currently working on an operational manual which will cover all areas including enforcement; however, this was not finalised at the time of the audit.</p> <p>Issues were also identified in terms of performance monitoring and reporting</p> <p>The parking system was changed from Civica to Taranto in June 2017. Due to the Parking team's lack of knowledge of the system, we have been unable to establish whether access is effectively restricted to appropriate users. The same issue has also prevented testing in relation to both permits and Penalty Charge Notices (PCNs) issued to ensure appropriateness, timeliness, and adherence to guidance.</p> <p>We are unable to provide assurance as to the completeness and accuracy of data transfers between the Taranto system and either Civil Enforcement Officers' hand-held devices, or the Authority's income system, ICON. This was also identified as an issue during the last audit.</p> <p>We found there was no reconciliation of card payment income undertaken to ensure expected amounts are actually received. Where cash income is reconciled, discrepancies are not being followed up.</p> <p>Controls relating to permit stock are weak and a number of recommendations have been made accordingly.</p> <p>When the parking system was changed from Civica to Taranto, the two systems were run in parallel until the end of that financial year. At that point, outstanding PCN debt was not transferred to the new system, but recovery continued through Civica for 9 months until system cessation. We have been informed that the majority of this debt was sent to the enforcement agencies for recovery. Since its introduction, none of the debt raised on the new system has been sent to the enforcement agencies due to system issues. We understand that these have now been resolved and a large number of cases are due to be passed over soon. It is not known how much of this debt will be difficult to recover or uncollectable due to its age.</p> <p>We have not made recommendations in regard to the above issues, as the instances are historic and therefore cannot be retrospectively resolved. They have, however been made in relation to establishing the correct debtor balance going forwards, as currently the methodology used does not ensure that this is the case.</p>	

<b>PLACE</b>			
<b>Risk Area / Audit Entity</b>	<b>Audit Report</b>		
	<b>Assurance opinion</b>	<b>Residual Risk / Audit Comment</b>	<b>Direction of Travel Assurance</b>
Port Marine Safety Code Risk / ANA – Client Request	Non-Compliant Status: Final	Assurance was reported in this year's half year report; please refer to that report for details. Additional follow up audit work in relation to Port Marine Safety Code compliance is being undertaken in May 2019.	
Grants x 5 Risk / ANA: N/A	Certified Status: Complete	Grants certified comprise; Bus Subsidy, Local Transport Capital Block Funding, Pothole Funding, National Productivity Investment Fund and Local Growth Fund. A number of minor issues were identified and reported to the relevant funding body.	N/A
The following audits have been deferred at the request of the client: <ul style="list-style-type: none"> <li>• Commissioning and Performance Monitoring of the TDA (ANA – High)</li> <li>• Spatial Planning - Development and Planning (ANA – High)</li> </ul>			



## Appendix 2 - Professional Standards and Customer Service

### Conformance with Public Sector Internal Audit Standards (PSIAS)

**Conformance** - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2018. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

**Quality Assessment** – through external assessment December 2016 “DAP is considered to be operating in conformance with the standards”. External Assessment provides independent assurance against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS). The Head of Devon Audit Partnership also maintains a quality assessment process which includes review by audit managers of all audit work. The quality assessment process and improvement is supported by a development programme.

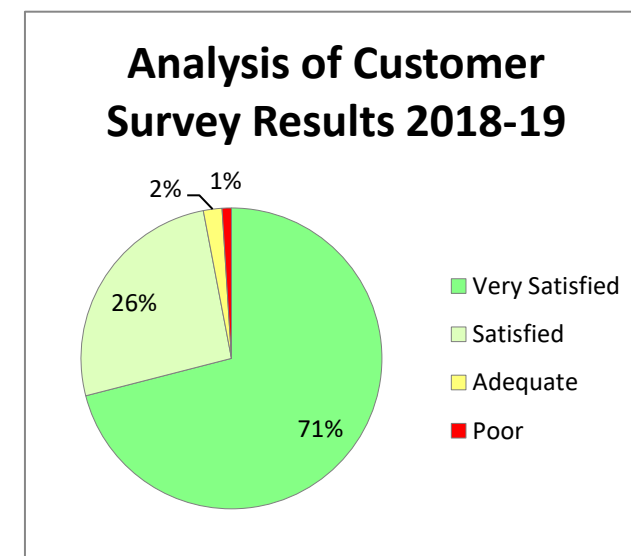
**Improvement Programme** – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated, and a status report was reported to the Management Board in October 2017.

### Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We are aware that some of our draft reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We continue to review where performance in this area can be improved.

### Customer Service Excellence

In June 2018, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 97% being "satisfied" or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



## Appendix 3 - Audit Authority



## Appendix 4 - Annual Governance Framework Assurance

**The conclusions of this report provide the internal audit assurance on the internal control framework necessary for the Committee to consider when reviewing the Annual Governance Statement.**

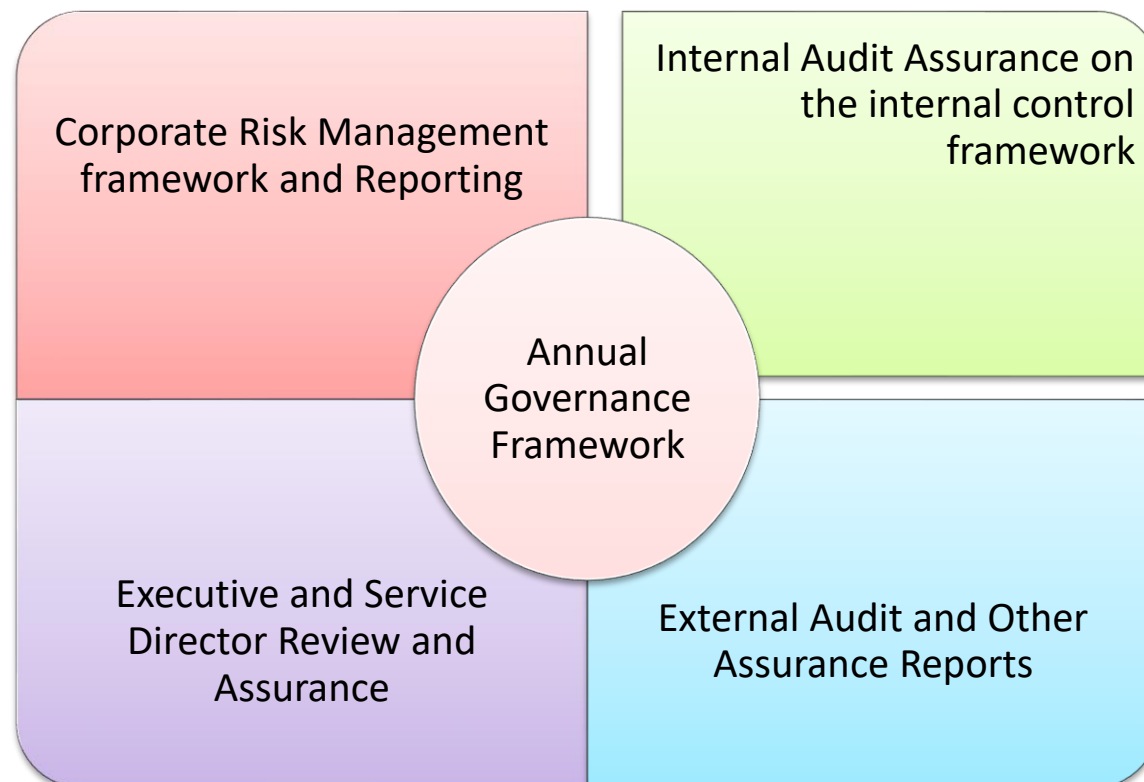
The Annual Governance Statement provides assurance that

- the Authority’s policies have been complied with in practice;
- high quality services are delivered efficiently and effectively;
- ethical standards are met;
- laws and regulations are complied with;
- processes are adhered to;
- performance statements are accurate.

The statement relates to the governance system as it is applied during the year for the accounts that it accompanies. It should:-

- be prepared by senior management and signed by the Chief Executive and Chair of the Audit Committee;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that has been followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit;
  - Other reviews / assurance.

Provide confirmation that the Authority complies with CIPFA / SOLACE Framework *Delivering Good Governance in Local Government*. If not, a statement is required stating how other arrangements provide the same level of assurance



The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Executive and Internal Audit that the statement meets statutory requirements and that the management team endorse the content.

## Appendix 5 - Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an opinion on the adequacy and effectiveness of its accounting records and its system of internal control in the Council. In giving our opinion, it should be noted that this assurance can never be absolute. The most that the internal audit service can do is to provide reasonable assurance, formed from risk-based reviews and sample testing, of the framework of governance, risk management and control.

This report compares the work carried out with the work that was planned through risk assessment; presents a summary of the audit work undertaken; includes an opinion on the adequacy and effectiveness of the Authority's internal control environment; and summarises the performance of the Internal Audit function against its performance measures and other criteria. The report outlines the level of assurance that we are able to provide, based on the internal audit work completed during the year. It gives:

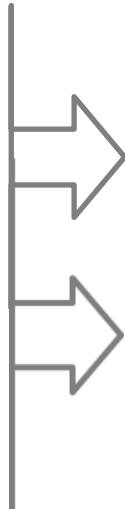
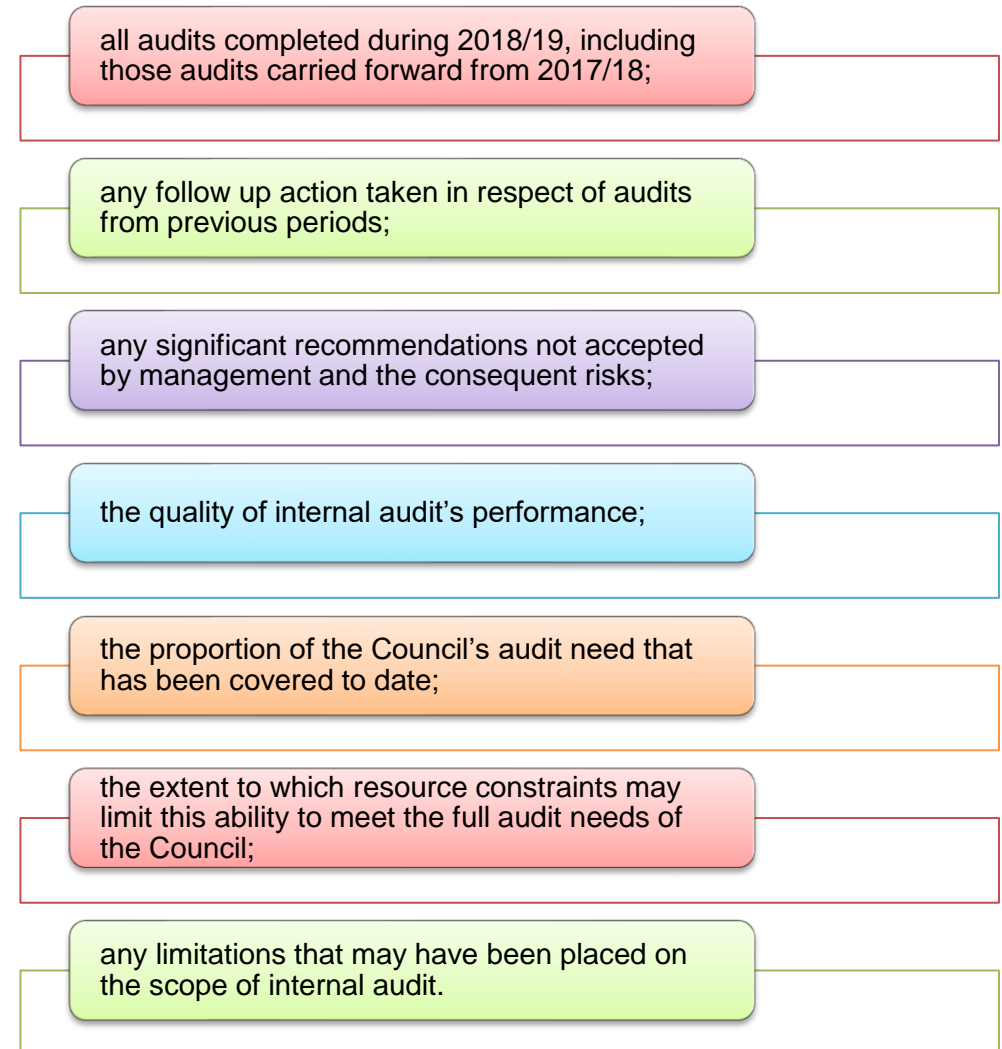
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements.

The extent to which our work has been affected by changes to audit plans is not been notable and any changes are shown in Appendix 1. As a result of earlier reporting this year some of our work remains ongoing and will be completed within quarter one of 2019-20.

Other service priorities have impacted audit delivery in Children's Services, and this impacts our Assurance Opinion for this area.

The overall audit assurance will have to be considered in light of this position.

In assessing the level of assurance to be given the following have been taken into account:



## Appendix 6 – Performance Indicators

There are no national Performance Indicators in existence for Internal Audit, but the Partnership does monitor the following Local Performance Indicators LPI's:

<i>Local Performance Indicator (LPI)</i>	<i>2016/17</i>	<i>2016/17</i>	<i>2017/18</i>	<i>2017/18</i>	<i>2018/19</i>	<i>2018/19</i>
	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>	<b>Target</b>	<b>Actual</b>
Percentage of Audit plan Commenced (Inc. Schools)	100%	99%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	96%	93%	87%	93%	91%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	113%	95%	96%	95%	94%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	70%	65%	71%	65%	66% *
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%	90%	97%
Draft Reports produced within target number of days (currently 15 days)	90%	85%	90%	91%	90%	81%
Final reports produced within target number of days (currently 10 days)	90%	100%	90%	97%	90%	100%
Average level of sickness absence (DAP as a whole)	2%	3.2%	2%	4%	2%	3% **
Percentage of staff turnover (DAP as a whole)	5%	21%	5%	11%	5%	4% ***
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

\* Percentage of chargeable time affected by three maternity leaves

\*\* Sickness relates to DAP overall and varies at different DAP locations

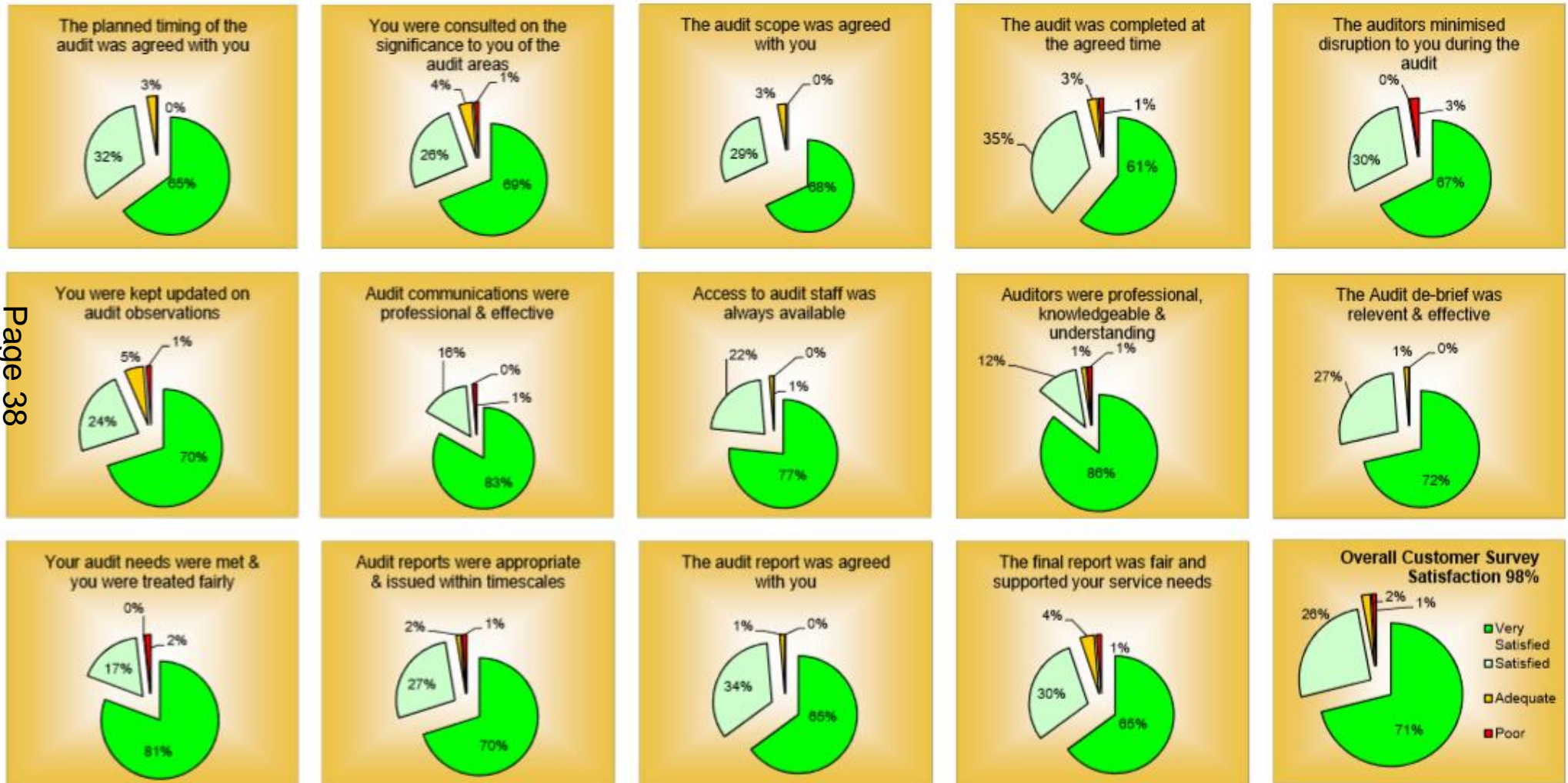
\*\*\* Staff turnover relates to one leaver

Overall, performance against the indicators has generally been maintained; the reduction in the percentage of audit plan completion from 2016/17 is due to the earlier reporting to the Senior Leadership Team and Audit Committee, although 2018/19 is already showing improvement since the first year of this changed arrangement. It is disappointing to note the decline in draft reports issued in line with performance indicator targets which is due to the implications on resource caused by sickness absence.

## Appendix 7 - Customer Service Excellence

### Customer Survey Results April 2018 – March 2019

The charts below show a summary of 77 responses received



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<b>Devon Audit Partnership</b>	<b>Confidentiality and Disclosure Clause</b>
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high quality internal audit service in the public sector. We work with our partners by providing a professional internal audit service that will assist them in meeting their challenges, managing their risks and achieving their goals. In carrying out our work we are required to comply with the Public Sector Internal Audit Standards along with other best practice and professional standards.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at <a href="mailto:robert.hutchins@devonaudit.gov.uk">robert.hutchins@devonaudit.gov.uk</a> .</p>	<p>This report is protectively marked in accordance with the National Protective Marking Scheme. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>



**Meeting:** Audit Committee **Date:** 18 June 2019

**Wards Affected:** All

**Report Title:** Annual Governance Statement 2018/2019

**Is the decision a key decision?** No

**When does the decision need to be implemented?** Immediately

**Executive Lead Contact Details:** Councillor Steve Darling, Leader of the Council,  
[steve.darling@torbay.gov.uk](mailto:steve.darling@torbay.gov.uk)

**Supporting Officer Contact Details:** Kate Spencer, Head of Policy, Performance and  
Engagement 01803 207014  
[kate.spencer@torbay.gov.uk](mailto:kate.spencer@torbay.gov.uk)

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## 1. Proposal and Introduction

- 1.1 The preparation of the Annual Governance Statement provides the opportunity for the organisation to review its processes, controls and objectives and to provide assurance to Members, Senior Officers and stakeholders as to the reliability of its statement of accounts and the probity of its operations. Regulations require every local authority, as good practice, to include in their annual Statement of Accounts an Annual Governance Statement signed by the Leader of the Council and the Chief Executive.
- 1.2 The Statement is wide ranging and sets out publicly the extent to which the Council complies with its own code of corporate governance, including how it monitored and evaluated the effectiveness of its governance arrangements in the year and on any planned changes in the coming year. The Statement also fulfils the statutory requirement in England for a local authority to conduct a review at least once in each financial year of the effectiveness of its system of internal control and to include a statement reporting on the review with its Statement of Accounts.

## 2. Reason for Proposal

- 2.1 To meet the requirements of the Accounts and Audit (England) Regulations.

## 3. Recommendation(s) / Proposed Decision

- 3.1 That the draft Annual Governance Statement for 2018/2019 be agreed and forwarded to the External Auditors for comment.

*forward thinking, people orientated, adaptable - always with integrity.*



3.2 That the final Annual Governance Statement be presented to the Audit Committee when it considers the Statement of Accounts.

## **Appendices**

Appendix 1: Draft Annual Governance Statement 2018/2019

## **Background Documents**

None

### **ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2018/2019**

**DRAFT**

#### **Explanatory Note**

Torbay Council's governance arrangements changed on 2 May 2019 with the election of the new Council and the move to a Leader and Cabinet model of governance. This Annual Governance Statement covers the Financial Year 2018/2019 during which the Council operated an Elected Mayor model of governance. Therefore, whilst this Annual Governance Statement covers significant governance issues up to the date of approval of the Statement of Accounts, the governance system described throughout is that which was in place during the 2018/2019 financial year.

#### **Scope of responsibility**

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

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

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The code is included in the Council's Constitution which is available on the Council's website at

<http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?CId=458&info=1>

This statement explains how Torbay Council has complied with the code and also meets the requirements of the Accounts and Audit (England) Regulations 2015 in relation to the publication of a statement on internal control.

#### **The purpose of the governance framework**

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on

an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Torbay Council throughout the year ending 31 March 2019. As set out in the Explanatory Note, the governance framework from 2 May 2019 up to the date of approval of the statement of accounts was based on a Leader and Cabinet model.

## **The Governance Framework**

### The Constitution

The Constitution sets out the main elements of the governance framework of Torbay Council, in particular how decisions are made and the procedures which are followed to ensure that these are efficient and transparent and that decision makers are accountable to local people. It explains that (for the 2018/2019 financial and municipal years) the Council is made up of the Elected Mayor and 36 Councillors who, together, are responsible for approving the Council's Budget and Policy Framework. The Elected Mayor was responsible for decisions which are consistent with the Budget and Policy Framework and was supported by Executive Lead Members who oversaw and advised on specific areas. Matters outside the Budget and Policy Framework have to be referred to the Council for decision.

The Constitution includes Standing Orders, Financial Regulations and the Scheme of Delegated Powers and is available on the Council's website. It is underpinned by Codes of Conduct for Members and Employees and a range of local protocols. The Constitution includes the Council's Code of Corporate Governance.

The Overview and Scrutiny Board is responsible for the overview and scrutiny function of the Council. It assists in the development of policy and holds decision makers to account. In addition, any five members of the Council can "call-in" executive decisions to the Overview and Scrutiny Board for further debate.

The Audit Committee is responsible for all internal and external audit matters, treasury management as well as monitoring the effective development and operation of performance and risk management and corporate governance in the Council. It meets on a bi-monthly basis.

The Standards Committee's remit includes the conduct of members and investigating complaints in respect of individual members. The Standards Committee promotes and embeds ethical standards for members.

Some regulatory functions remain the responsibility of the Council rather than the Elected Mayor and most of these are delegated to a small number of committees appointed annually by the Council.

All members are inducted into the importance and processes of good governance and have informal and, if required, formal ways of raising governance issues with the

Chief Executive, Monitoring Officer, Chief Finance Officer and the Senior Leadership Team.

### The Corporate Plan and Decision-making

Included within the Policy Framework is the Council's Corporate Plan which is the main strategic document under which all other Policy Framework documents sit. The Delivery Plans associated with the Corporate Plan continue to be delivered. The Council also has a Medium Term Resource Plan which is reviewed on an on-going basis to take into account new information and changed circumstances. Both of these documents provide a framework for planning and monitoring resource requirements.

The Council's Transformation Programme continued to be delivered during 2018/2019. This aims to ensure that the ambitions within the Council's Corporate Plan are met whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium Term Resource Plan) and create service resilience. The Elected Mayor's Policy Development and Decision Groups received reports and made recommendations to him on Executive decisions. The Elected Mayor then, in the majority of cases, took those decisions at meetings of the Policy Development and Decision Group. All reports to members include sections on the financial and legal implications and the risks of the proposed decision. Prior to publication, these reports are cleared by the Chief Executive, Chief Finance Officer and the Monitoring Officer or one of their senior staff.

All meetings of the council and its committees are open to the public but a small number of matters are considered in private when the press and public are formally excluded from meetings. It is the Council's objective to keep these private matters to a minimum with only those elements of reports that are considered exempt from publication being included within appendices. This aims to ensure open and transparent decision making is undertaken at all times.

The Member Development Programme provides a structured approach to member development to support members in their roles. In addition to the Personal Development Plans, Members have the opportunity to have a one to one Councillor Development discussion with their Group Leader. The purpose of these reviews is to discuss each member's progress and how they can contribute in meeting the Council's priorities.

### Community and Service User Engagement

There are a number of Community Partnerships across Torbay which provide an opportunity for people who live or work in those parts of Torbay to discuss issues of common concern, influence the way in which services are provided and improve their local area.

In developing proposals for service change, consultation with service users and the public is undertaken. In particular, the impact on vulnerable groups and those with characteristics protected under the Equality Act 2012 is assessed and documented in

Equality Impact Assessments which are considered by decision-makers prior to decisions being made.

### Partnership Working

The Torbay Strategic Partnership (known as Torbay Together) has continued to meet regularly throughout the year and the partnership, which consists of public, private and voluntary sector organisations, has continued to seek ways to deliver "Your Torbay, Your Future" which sets out the Partnership's vision for Torbay in the future.

The Health and Wellbeing Board and the Community Safety Partnership provide forums where multi-agency issues which impact on the Torbay population can be debated. Safeguarding Boards are also in place for both children and adults.

The Council owns (either in its own right or with partners) a number of companies, namely the Torbay Economic Development Company (TDA), TOR2, Careers South West and Torbay Housing Company Ltd. The Council has representatives on the Boards of these companies together with a number of reserved matters which are set out in the Articles of Association and Memorandum of Understanding.

Performance and monitoring arrangements are in place in respect of service specific partnerships such as the Torbay and South Devon NHS Foundation Trust and the Torbay Coast and Countryside Trust.

The Council is a member of the Heart of the South West Joint Committee which will be delivering the Productivity Strategy for the region and maximising the opportunities for Government funding in Devon and Somerset. In addition, the Council is working with partners on the Wider Devon Sustainability and Transformation Plan and the Improved Better Care Fund. From 1 June 2019 the Council entered into a contractual relationship with Plymouth City Council for a Joint Director of Children's Services.

### Performance and Risk Management

The Council records performance information using performance-reporting software called SPAR.net. The Senior Leadership Team continuously monitors the Council's performance and risks and receives formal updates on a quarterly basis. These updates were shared with the Elected Mayor and Executive, Group Leaders and the Audit Committee. Any areas of concern are highlighted and appropriate corrective action will be considered, scrutinised and monitored. The Council uses a range of benchmarking information to measure performance against comparators and to identify authorities from whom the Council could learn.

The Senior Leadership Team is responsible for the implementation and monitoring of the Performance and Risk Framework. A Strategic Risk Register is maintained which identifies strategic risks facing the Authority together with clearly identified measures for mitigation. Directors and Executive Heads are responsible for managing risk within their Business Units.

## Senior Management

The **Head of the Paid Service** is the Chief Executive who is responsible and accountable to the Council for all aspects of operational management.

The Head of Finance is the **Chief Financial Officer**. He has direct access to all members, the Chief Executive and senior officers of the Council. He works with Directors and Assistant Directors to identify any financial issues which may require management action. Regular discussions were held with the Elected Mayor who was the Executive Member with responsibility for finance. The Chief Financial Officer has responsibility for ensuring the Council operates secure and reliable financial and accounting systems.

Members are briefed on key financial issues with revenue and capital budget monitoring reports being considered by the Overview and Scrutiny Board and the Council on a regular basis. The Council agrees the Treasury Management Strategy on an annual basis on the recommendation of the Audit Committee.

The Director of Corporate Services is the **Monitoring Officer**. She is responsible to the Council for ensuring that agreed procedures and protocols are followed and that all applicable Statutes and Regulations are complied with.

The Head of the Paid Service, Chief Financial Officer and Monitoring Officer meet regularly to ensure that appropriate governance arrangements are in place.

Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests.

## Training and Information

The Torbay Managers Forum meets on a quarterly basis enabling all managers to be briefed on current issues, reflect on achievements and engage in the development of action plans, ensuring that best practice across the Authority is shared and that plans for the future are collectively owned. Events known as “Connect” are routinely held which are open for all members of staff to attend to share their views with the Chief Executive and members of the Senior Leadership Team. The Elected Mayor also held Mayoral Connect Forums to enable members of staff to hear directly from him and to share their views with him.

A focussed forum for Managers called the Extended Leadership Team (ELT) has been established, so as to provide for even greater communication and opportunities for empowerment throughout the organisation. A member of ELT attends all Senior Leadership Team meetings.

Internal communication approaches are in place to ensure all staff are aware of issues and new policies and practices. Newsletters and daily updates are sent to all staff to advise them of relevant information, HR policy and legislation changes. Learning and Development courses that are available and support for staff are also included within these.

There is a positive working relationship with Trades Unions through quarterly formal meetings and informal meetings with the Director of Corporate Services, and consultation where appropriate.

The Council's intranet contains a range of policies, procedures and guidance for all staff including i-Learn training modules, Information Governance Policies, Code of Conduct, Freedom of Information Policy, Data Protection Policy and the Corporate Plan and Constitution. Human Resources (HR) Policies are available to all staff via the MyView web platform.

The Council has a Counter Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council's Intranet.

Corporate training needs are identified through the Senior Leadership Team. The Council has strongly supported staff development, particularly through programmes such as the Institute of Leadership and Management to develop Team Leaders and Managers.

Change management training has been communicated to all staff, including senior management, to support their understanding and implementation of change. Coaching and counselling are also offered as an additional means of support to individuals.

The Corporate Induction module on i-Learn signposts and informs new employees about the range of policies and procedures they need to be aware of, including the Code of Conduct, Information Governance, Acceptable Behaviour, Driver's Policy and Handbook and Whistleblowing Policies. Managers are responsible for local induction arrangements with corporate induction courses being run on a regular basis.

#### Customer Feedback, Whistleblowing and Prevention of Fraud

The Council has a customer feedback recording, tracking and reporting system to which all staff have access via the Intranet. The system captures compliments, complaints, queries, enquiries and Local Government Ombudsman complaints. Letters from Members of Parliament as well as enquiries made through local councillors are also recorded through this system.

The system enables all complaints to be recorded and tracked with root causes identified providing the Council with a useful analysis of why issues are being received. It also enables the tracking of the implementation of recommendations and actions.

The Information Compliance Team report to the Senior Leadership Team on a quarterly basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented. This Team continues to undertake the actions necessary in respect of the implementation of General Data Protection Regulations.

The Council's Whistleblowing Policy is available on the Council's website and intranet site. The Council has an established phone line that any whistleblowing call can be made to and which goes directly to Internal Audit which has responsibility for dealing with these issues in the first instance. The Probity and Ethics Group; comprising of the Monitoring Officer, the Chief Finance Officer, Internal Audit and the Head of Human Resources, continue to meet to consider and progress as appropriate all matters of concern.

The Council has a Fraud and Counter Corruption Officer who is accountable to the Head of Finance. The Council's website enables members of the public to report any suspicions of anyone committing fraud or corruption.

### Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up-to-date to inform decision making. Equally important is the requirement to process personal and sensitive information in accordance with the data protection legislation. To support this, there is an Information Governance Steering Group, which consists of the Head of Information Governance (who is also the Council's Data Protection Officer), the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management and sharing. There is also an Information Security Group which is made up of operational staff to review and update policies and processes to ensure that the day to day handling of information is carried out in accordance with legislative requirements. Under this framework there are a number of operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates communicated to all staff.

The Council has in place a General Data Protection Regulation (GDPR) project plan and team, whose focus is ensuring that information management across all departments complies with data protection legislation. Part of this work is regular review of the Information Asset Register which specifies the information assets held across all Council departments and allows the Council to understand the risks associated with different information assets.

### Internal Audit

The internal audit service is provided by Devon Audit Partnership (DAP). This is a shared service arrangement between Torbay, Torridge District, Plymouth City and Devon County Councils and is constituted under section 20 of the Local Government Act 2000. Devon Audit Partnership undertakes the role of auditing the Council's systems to give assurance to the organisation.

The Council's Internal Audit Plan, which is risk based, is agreed annually by the Head of Finance, Senior Leadership Team and the Council's Audit Committee. This provides the basis for the review of internal control and governance within the Council and includes the following: -



- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as materiality, sensitivity and previous audit and inspection findings.
- Work in relation to the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.
- Advice and support to ensure future safeguards when implementing new systems.
- Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

The Council also receives assurance from the NHS Internal Audit Confederation (Audit South West) over the controls in operation at Torbay and Southern Devon NHS Foundation Trust which covers the provision of adult social care services.

Achievement against the Audit Plan is reported to the Audit Committee on a twice yearly basis. This report also includes an opinion and assurance about the system of internal control throughout the Council.

Regular meetings are held between the Chief Finance Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen.

### **Review of Effectiveness**

Torbay Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of the Devon Audit Partnership's annual report, and also by comments made by the External Auditors and other review agencies and inspectorates. This review is demonstrated through the Annual Governance Statement.

As in previous years, Devon Audit Partnership undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion.

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council's Code of Corporate Governance. Details of the evaluation is included in the sections which

follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

Focusing on the purpose of the authority and on outcomes for the local community and creating and implementing a vision for the local area

The Council's Corporate Plan was adopted in September 2015 with the associated Delivery Plans adopted in May 2016. The Delivery Plans set out the challenges faced by the Council, where it aimed to be in 2019 and the areas on which the Council would focus. The Performance and Risk Dashboards set out how the Council will measure its performance towards meeting the ambitions of the Corporate Plan and the actions in the Delivery Plans. This included progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

The Council established a Strategic Partnership for Torbay (Torbay Together) which developed "Your Torbay, Your Future" which sets out the long term aspirations for Torbay. This was adopted by the Council in June 2017 as an Annex to the Council's Corporate Plan.

Members and officers working together to achieve a common purpose with clearly defined functions and roles

The Council's Constitution has been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Elected Mayor and Group Leaders whereby improvements and changes to the constitution were made and agreed. In addition, work was also undertaken during the year to revise the Constitution to take account of the change in the system of governance to Leader and Cabinet from May 2019.

The Members' Development Programme continues to be delivered including training on RIPA, Data Protection and the Port Marine Safety Code and communication with councillors was supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. The Elected Mayor and Group Leaders met monthly to discuss a range of issues aimed at working better together.

Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

The Standards Committee was re-appointed and met as required during 2018/2019. The Monitoring Officer continues to meet with the Independent Person (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on various matters relating to Members' conduct. The Independent Person assisted with a number of complaints and provided views throughout an investigation that was subsequently considered by a Standards Hearing Sub-Committee.

The Council's Code of Conduct, Information Governance, Whistleblowing and Acceptable Behaviour policies are available for all staff on MyView. They are also referred to within employees' terms and conditions of employment and are binding upon employees during the course of their employment with the Council. Reminders are sent out to staff via newsletters and internal communications, including the Chief Executive's Letter. The Council's induction programme also signposts to the above policies for new starters.

The Head of the Paid Service, the Chief Financial Officer and the Monitoring Officer continue to meet regularly to ensure that there is a forum to ensure that the values of the authority are promoted and that good governance is demonstrated.

Business ethics, values and culture are an important part of improving an organisation's governance process and we continue to place great importance on this.

#### Taking informed and transparent decisions which are subject to effective scrutiny and managing risk

The Policy Development and Decision Groups are well-established, enabling reports to be presented and recommendations made the Elected Mayor in the public domain. The Elected Mayor then, in the majority of cases, took those decisions at meetings of the Policy Development and Decision Group.

The Overview and Scrutiny Board has met throughout the year to hold the Elected Mayor and Executive to account, and the Audit Committee has also met regularly. This aims to provide assurance within the decision making process.

The Audit Committee has received the Internal Audit Plan together with updates on the progress against the Plan. The Committee has received the Council's Statement of Accounts and Treasury Management Strategy.

The Performance and Risk Dashboards have been reviewed by the Committee on a regular basis with the Committee continuing to have the ability to refer suggested areas for further investigation to the Overview and Scrutiny Board.

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring reports. Four decisions of the Elected Mayor have been called-in over the course of 2018/2019.

Two Monitoring Working Parties – one for Children's Services and one for Adult Services and Public Health have met over the course of the year which provide an informal opportunity to discuss forthcoming decisions, issues arising, and performance and financial monitoring information. A Liaison Group was also in place to discuss issues relating to the Joint Operations Team.

The Council's Information Asset Register has been compiled and is subject to regular review as part of the Council's GDPR project plan, this allows the Council to

understand the information being processed across all departments, the lawful basis for processing and the security measures associated with the information asset.

#### Developing the capacity and capability of members and officers to be effective

The Constitution Working Party reviewed the preparation by the Monitoring Officer of a new Constitution for a Leader and Cabinet model of governance for implementation in May 2019 and identified member development needs to ensure an effective transition to the new governance arrangements. This work has informed the development of the Member Induction Programme for 2019.

The Senior Leadership Team has kept the operation of its meetings under review over the course of the year in order to increase their capacity to focus on those issues of strategic importance.

Following on from the corporate leadership programme which provided development opportunities for senior managers to get involved in leading and implementing projects, an Extended Leadership Team (ELT) has been introduced to improve communication and offer opportunities for wider involvement in key challenges facing the Council.

The Staff Wellbeing Group has overseen the introduction of Mental Health First Aiders across the Council.

#### Engaging with local people and other stakeholders to ensure robust public accountability

Consultation and service user engagement has continued to take place in relation to service change. The majority of this work has been related to the proposals for budget savings.

There continues to be good engagement from partners within Torbay Together and an independent Chairman has led the partnership over the last year. A strong commitment and intent to work together to deliver the Partnership's ambitions as set out in "Your Torbay, Your Future" remains and has matured over the year. This commitment was most prominent when a delegation from the partnership met with Jake Berry MP, the Minister for Local Growth, in June 2018. Discussions took place on how the Government could support Torbay in delivering its high level objectives and has led to further commitments from the Government to visit Torbay to discuss how Government could aid the partnership.

The Annual Report of the Overview and Scrutiny Board has been published and considered by the Council.

The Statement of Accounts provides a Narrative Report which explains the Council's achievements against the Corporate Plan over the past year alongside the Council's financial performance.

The Council has commenced a Community Governance Review to determine whether changes should be made to the existing local governance arrangements, including whether or not to establish new town or parish councils for parts of Torbay where they do not currently exist. The first stage of community engagement ended on 15 March 2019.

Securing continuous improvement in service delivery and ensuring that its agreed policies, priorities and decisions are implemented on time, in a manner consistent with the needs of its user and in the most effective way

The Performance Dashboards (including progress against each action within the Corporate Plan Delivery Plans) have been reviewed regularly by the Senior Leadership Team, Elected Mayor and Executive, Group Leaders and the Audit Committee. This has enabled any areas of concern to be highlighted and recovery plans to be prepared, scrutinised and monitored. The Audit Committee refer matters by exception to the Overview and Scrutiny Board where it was felt that further investigation is required.

A tracking system has been put in place to ensure that actions to address areas identified by Internal Audit as requiring improvement are monitored by the Joint Operations Management Team.

Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. A revised Improvement Plan is in place and is being implemented. The Post Ofsted Improvement Board is in place to monitor its implementation and impact. Ofsted have held two Monitoring Visits since the Inspection and it is recognised that some progress is being made, albeit the progress is fragile.

Following the recommendation of the Government-appointed Children's Commissioner, Torbay Council entered into a contractual partnership with Plymouth City Council and a Joint Director of Children's Services is now in post who reports to both Councils' Chief Executives and politicians under a set of managerial and political arrangements which remain unchanged.

The Council's financial management arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

### **Significant governance issues**

As outlined above, Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. A revised Improvement Plan is in place and being implemented. The Post Ofsted Improvement Board is in place to monitor its implementation and impact. Ofsted have held two Monitoring Visits since the Inspection and it is recognised that some progress is being made, albeit the progress is fragile.

The internal audit report on Better Care Fund (2017-2018) (March 2018) found that the national conditions pertaining to the development and production of the 2017-19 Better Care Fund (BCF) Plan for Torbay had been appropriately met, including agreement to the Plan by the Health and Wellbeing Board and formal approval by NHS England; and that the associated section 75 agreement, relating to use of pooled funds under the NHS Act 2006, was in place.

However, assurance was unable to be provided as to whether BCF monies had been spent appropriately in line with approved Plans due to a lack of financial information relating either to overall expenditure or a breakdown of expenditure for each individual project approved within the Plan. In response to the report, BCF governance continues to be enhanced with a focus on stage payments against milestones.

The internal audit report on the Brixham Express Ferry (March 2018) identified fundamental weaknesses as there was a lack of documentary evidence available to provide assurance that the all-year round ferry project, and the related contract with Brixham Express Ltd, were managed and monitored effectively. The recommendations within the report in relation to the filing and retention of documentation relating to projects have been accepted and implemented for future projects.

The internal audit report on the compliance of Tor Bay Harbour Authority with the Port Marine Safety Code found that improvements were required and that there was a lack of compliance against the requirements of the Code. The management response and action plan has been agreed and is currently being implemented.

Devon Audit Partnership conducted a follow-up of its 2015-2016 audit of Sports Pitch Leases and the report was published in March 2018. The audit opinion remained as improvements required. Whilst a new policy is in place, assurance was unable to be provided regarding the effectiveness of its operation or in relation to the realisation of the intended benefits.

A follow-up of the 2014-2015 audit of Section 106 Agreements was also undertaken and report published in July 2018. The initial audit opinion had been one of "Fundamental Weaknesses" but this has now been revised to "Improvements Required". Whilst the recommendations relating to the calculation of Section 106 contributions have been implemented, there remains a need to establish effective Section 106 Agreement monitoring to ensure that income is collected and used in line with the Agreement.

In addition to the above, there were a number of reviews undertaken by internal audit during the course of the year which found that improvements were required. In most cases management actions plans have been put in place and these will be monitored on a regular basis via the Joint Operations Management Team. In those cases where management action plans have yet to be agreed, the Chief Executive will ensure that plans are developed as a matter of urgency.

## **Conclusion**

Overall, during the course of the year we have ensured that we are delivering against our agreed action plans in order to maintain our robust corporate governance arrangements. Our decision making processes are understood by members and officers and the mechanisms which support those processes operate effectively.

We have recognised where there are areas for further improvement as outlined within this Statement. We propose, over the coming year, to take the steps detailed in the attached action plan to address these areas to further enhance our governance arrangements. We are satisfied that these steps will address the issues identified and we will monitor their implementation and operation as part of our next annual review.

Steve Parrock  
Chief Executive

Councillor Steve Darling  
Leader of the Council

Action	Responsible Officer	Deadline
Implement Leader and Cabinet model of governance	Chief Executive	31 March 2020
Agree the future arrangements for adult social care once the current Risk Share Agreement ends	Director of Adult Services and Housing	31 March 2020
Continue to deliver the Children's Services Ofsted Improvement Plan	Director of Children's Services	31 March 2020
Develop operational risk registers	Senior Leadership Team	31 March 2020
Deliver the Action Plan in response to the Internal Audit report on the Better Care Fund	Director of Adult Services	31 March 2020
Deliver the Action Plan in response to the Internal Audit report on the Port Marine Safety Code	Director of Place	31 March 2020





**Meeting:** Audit Committee

**Date:** 18<sup>th</sup> June 2019

**Wards Affected:** All Wards in Torbay

**Report Title:** Treasury Management Outturn 2018/19

**Is the decision a key decision?** No

**When does the decision need to be implemented?**

**Executive Lead Contact Details:**

**Supporting Officer Contact Details:** Pete Truman, Principal Accountant, 01803 207302, [pete.truman@torbay.gov.uk](mailto:pete.truman@torbay.gov.uk)

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## **1. Proposal and Introduction**

- 1.1 This report informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2018/19 through management of cash flow, debt and investment operations and the effective control of the associated risks.
  
- 1.2 The headline points of the report are:
  - New borrowing of £33 million taken to fund the Capital Investment Fund and Capital Plan
  - Capital Financing Requirement fully funded at year end
  - Reduction in the overall average borrowing rate to 3.29%
  - Annual investment rate achieved exceeded the market benchmark

## **2. Reason for Proposal**

- 2.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual outturn report reviewing treasury management activities and the actual prudential and treasury indicators for 2018/19.
  
- 2.2 This report also meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

### **3. Recommendation(s) / Proposed Decision**

**3.1 That the Treasury Management decisions made during 2018/19, as detailed in the submitted report be noted; and**

**3.2 That the performance against the approved Prudential and Treasury Indicators as set out in Appendix 1 to this report be noted.**

### **4. Background Information**

4.1 Treasury Management is defined by the 2017 Code of Practice as:

*“The management of the authority’s borrowing, investments and cash flows, it’s banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.*

4.2 During 2018/19 the minimum reporting requirements were that full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 7<sup>th</sup> February 2018)
- A mid-year review report (Council 18<sup>th</sup> October 2018)
- An annual report following the year describing the activity compared to the strategy (this report)

4.3 The regulatory environment places responsibility on Members for the review and scrutiny of treasury management policy and activities. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved by Members.

4.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the above strategy and mid-year treasury management reports by the Audit Committee before they were reported to full Council. Training for the new Members of the Council elected in May 2019 will be scheduled for the summer of 2019.

4.6 Treasury Management strategies were planned and implemented in conjunction with the Council’s appointed advisors, Link Asset Services although the Council officers were the final arbiters of the recommended approach.

4.7 This report covers:

- Treasury Position at year end;
- Borrowing strategy and control of interest rate risk;
- Borrowing Outturn for 2018/19;
- Investment Outturn for 2018/19;
- Revenue Budget Performance;
- Reporting Arrangements and Management Evaluation
- Non-Treasury Management Investments

## 5. Overall Treasury Position as at 31 March 2019

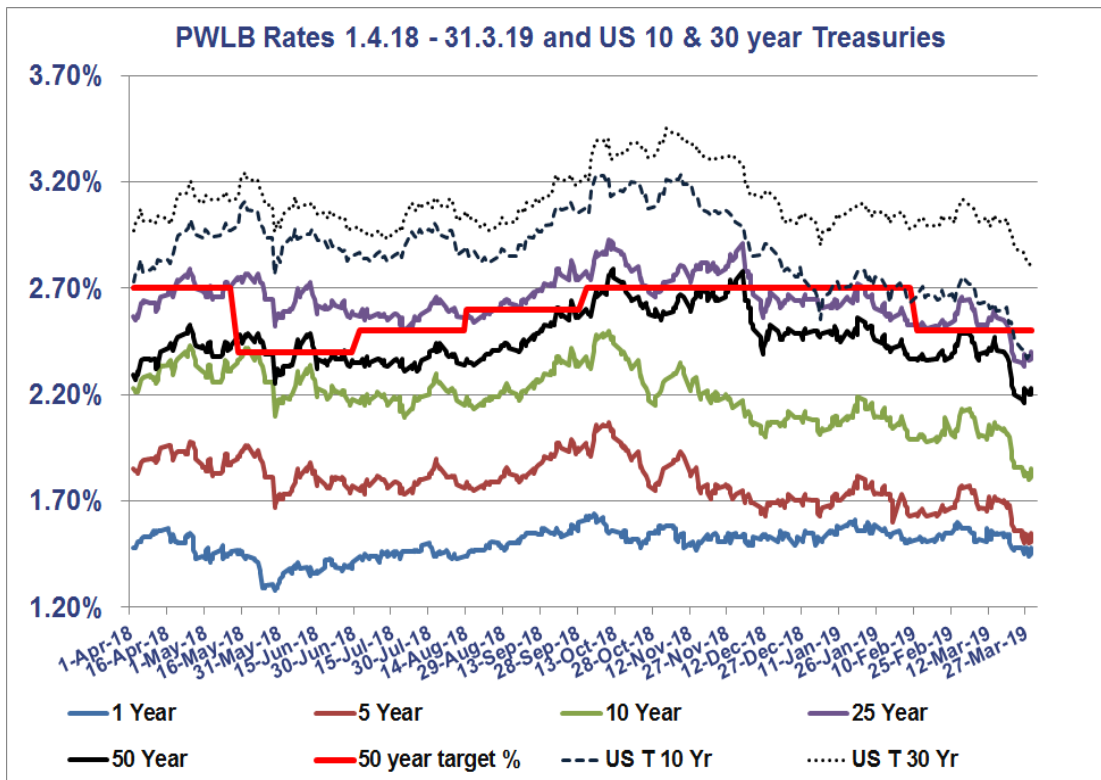
5.1 At the beginning and the end of 2018/19 the Council's treasury position was as follows:

TABLE 1	31 March 2018 Principal	Rate/Return	Average Life yrs	31 March 2019 Principal	Rate/Return	Average Life yrs
Borrowing	£272.4m	3.40%	31.0 years	£302.9m	3.29%	29.5 years
Other long term liabilities	£18.9m	5.14%	17.9 years	£18.2m	5.14%	16.9 years
<b>Total debt</b>	<b>£291.3m</b>	<b>4.04%</b>	<b>30.2 years</b>	<b>£321.1m</b>	<b>3.39%</b>	<b>28.9 years</b>
<b>Capital Financing Requirement</b>	<b>£279.5m</b>			<b>£320.7m</b>		
Over* borrowing	£11.8m			£0.4m		
<b>Total investments</b>	<b>£64.7m</b>	<b>0.83%</b>		<b>£58.1m</b>	<b>1.09%</b>	
Net debt	£226.6m	3.16%		£263.0m	3.05%	

\*A purchase from the Investment Fund was completed in April 2018 for £11M.

## 6 Borrowing strategy and control of interest rate risk

- 6.1 During 2018/19, the Council aimed to achieve an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as investment returns were low and minimising counterparty risk on placing investments also needed to be considered.
- 6.2 However, this strategy had to be kept under review to avoid a situation of the Council incurring higher borrowing costs in the future impacting upon the General Fund and the affordability of approved capital schemes.
- 6.3 The primary strategy in para 6.1 was predicated on Interest rate forecasts expecting only gradual rises in medium and longer term fixed borrowing rates during 2018/19 and the two subsequent financial years. The actual path of borrowing rates, during the year is illustrated in the table below



- 6.4 In line with the primary strategy borrowing amounts through the year were limited to cover funding needs after applying available internal cash to capital expenditure. Timing of borrowing was generally delayed until certainty of outlay (i.e. exchange of contracts on Investment Fund acquisitions)
- 6.5 At the end of the year a raft of new loans was taken to take advantage of the sharp fall in rates and fully fund the Capital Financing Requirement at year end, thus protecting the affordability of capital schemes over the longer term.
- 6.6 Length of borrowing was weighted towards 25 years on average, ensuring an even maturity structure to avoid the risks of the Council having to repay a high concentration of loans at one time in the future. There was also some borrowing at both the very short and long ends to take of advantages in the yield curve and provide potential opportunities for debt rescheduling in the future when rate levels eventually rise.

**7. Borrowing Outturn 2018/19**

7.1 Loans were drawn to fund unfinanced capital expenditure and maturing debt worth £2.6million and are summarised below:

Lender	Principal	Type	Average Interest Rate	Average Maturity
PWLB	£33m	Fixed interest rate	2.32%	25 years

- 7.2 As a result of the new loans the borrowing portfolio (excluding other long term liabilities) has increased to £302.9 million and the average rate of interest paid across all loans in 2018/19 was 3.30%. The average rate of the borrowing portfolio at 31<sup>st</sup> March was 3.29%.
- 7.3 All borrowing was transacted with the Public Works Loan Board (PWLB) as lender of first resort due to attractive rates and ease of accessibility. Officers monitored other forms of borrowing but none provided any advantage over PWLB levels in terms of low rate and ease of transacting.
- 7.4 The Council is eligible for a discounted “Certainty Rate” on the normal PWLB levels by submitting its capital spending plans to central government. Officers also identified the suitability of a potential Harbour related scheme to a bidding process for a further discounted “Infrastructure Rate”. A strong application was prepared by the Head of Tor Bay Harbour Authority and submitted by the Head of Finance before the bid deadline at end of March 2019. The result of the bid is expected this month.
- 7.5 No rescheduling of the borrowing portfolio was done during the year as the average 1% differential between PWLB new borrowing rates and premature repayment rates made rescheduling unviable.

## **8. Investment Outturn 2018/19**

- 8.1 The Council’s investment policy is governed by MHCLG investment guidance, which was been implemented in the annual investment strategy approved by Council on 7<sup>th</sup> February 2018. This policy set out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies, supplemented by additional market data, (such as rating outlooks, credit default swaps, bank share prices etc.).
- 8.2 The investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties. A proportion of long term deals maturing during the year were re-invested for a period of one year to provide some protection to yield levels. Other deposits were limited to a duration of six months and extensive use made of well performing money market funds to ensure availability of cash for capital financing purposes.
- 8.3 **Performance Analysis** - Detailed below is the result of the investments undertaken by in 2018/19. The Council’s investment returns remain well in excess of the market benchmark while still maintaining availability of funds for internal borrowing

	Average Investment Principal	Rate of Return for year (gross of fees)	Rate of Return for year (net of fees)	Market Benchmark/ Target Return	Link Benchmarking Club*		
					Torbay	Peer LA	English Unitaries
Internally Managed	£55.3M	0.76%	0.76%	0.51%	0.86%	0.95%	0.94%
CCLA Property Fund	£5.0M	4.78%	4.21%				
Combined	£60.3M	1.09%	1.05%	0.51%			

\* Current in-house investments at end of March 2019

- 8.4 No further investment was made in the CCLA Property Fund, despite the high return due to uncertainty of funds in the longer term and changes to accounting treatment in future years.
- 8.5 In interest terms, the treasury strategy and decisions implemented contributed an additional £325,000 (after fees) to the General Fund over and above what would have been attained from the benchmark return.
- 8.6 A list of those institutions with which the in-house team invested funds during the year is provided at Appendix 2. No institutions with which investments were made showed any difficulty in repaying investments and interest in full during the year.

## 9 Revenue Budget Performance

- 9.1 The effect of the decisions outlined in this report on the approved revenue budget is summarised in the table below.

	Revised Budget 2018/19	Actual 2018/19	Variation
	£M	£M	£M
Investment Income	(0.4)	(0.7)	(0.3)
Interest Paid on Borrowing	9.5	9.4	(0.1)
<b>Net Position (Interest)</b>	<b>9.1</b>	<b>8.7</b>	<b>(0.4)</b>
Minimum Revenue Provision (MRP)	4.5	4.1	(0.4)
MRP re: PFI	0.6	0.6	0
<b>Net Position (Other)</b>	<b>5.1</b>	<b>4.7</b>	<b>(0.4)</b>
<b>Net Position Overall</b>	<b>14.2</b>	<b>13.4</b>	<b>(0.8)</b>

- 9.2 The position was regularly reported to OSB and Council throughout the year as part of the budget monitoring reports to Members

## **10 Reporting Arrangements and Management Evaluation**

10.1 The management and evaluation arrangements identified in the annual strategy and followed for 2018/19 were as follows:

- Monthly monitoring report to the Mayor as Executive Lead for Finance, Chief Finance Officer and Group Leaders
- Regular meeting of the Treasury Manager and Finance Manager to review previous months performance and plan following months activities
- Regular meetings with the Council's treasury advisors
- Membership and participation in Link Asset Services Investment Benchmarking Club

## **11 Non-Treasury Management Investments**

11.1 Appendix 3 sets out the current activities being undertaken by Torbay Council primarily to generate a financial return e.g. Investment Properties. Governance of these activities is incorporated into the CIPFA Code of Practice for Treasury Management.

## **Appendices**

Appendix 1: Prudential and Treasury Indicators 2018/19

Appendix 2: Counterparties with which funds have been deposited in 2018/19

Appendix 3: Non-Treasury Management Investments

## **Background Documents**

[Treasury Management Strategy 2018/19](#)

[Treasury Management Mid-Year Review 2018/19](#)

### Appendix 1

#### Prudential and Treasury Indicators 2018/19

#### Capital Expenditure and Financing 2018/19

The Council undertakes capital expenditure on long-term assets. These activities may either be:

- Financed immediately through the application of capital or revenue resources (capital receipts, capital grants, revenue contributions etc.), which has no resultant impact on the Council's borrowing need; or
- If insufficient financing is available, or a decision is taken not to apply resources, the capital expenditure will give rise to a borrowing need (though the timing of borrowing may be delayed through the application of cash balances held by the Council).

The actual capital expenditure forms one of the required prudential indicators and is shown in the table below.

	2017/18 Actual £m	2018/19 Revised Budget £m	2018/19 Actual £m
Total capital expenditure	121	95	66

#### Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's net debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2018/19 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been financed by revenue or other resources.

Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

**Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively the reserving of funds for repayment of the borrowing need. This differs from the treasury management arrangements which ensure that



cash is available to meet capital commitments. The Council's 2018/19 MRP Policy (as required by MHCLG Guidance) was approved as part of Treasury Management Strategy Report for 2018/19 but the policy applied was the amended policy for 2019/20 approved prior to year-end on 7<sup>th</sup> February 2019.

The total CFR can also be reduced by:

- the application of additional capital financing resources (such as unapplied capital receipts); or
- charging more than the statutory revenue charge (MRP) each year through a Voluntary Revenue Provision (VRP).

The Council's CFR for the year represents a key prudential indicator analysed below. This includes PFI schemes on the balance sheet, which increase the Council's long term liabilities. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£m)	31 March 2018 Actual	31 March 2019 Revised Indicator	31 March 2019 Actual
CFR at Year End	280	288	280

The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit presented later in this Appendix.

**Net borrowing and the CFR** - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2018/19 plus the expected changes to the CFR over the subsequent two years. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR (£m)	31 March 2018 Actual	31 March 2019 Actual
Opening balance	174.3	279.5
Capital expenditure in year funded from borrowing	109.0	45.9
Minimum Revenue Provision	(3.8)	(4.7)
<b>CFR at Year End</b>	<b>279.5</b>	<b>320.7</b>

CFR (£m)	31 March 2018 Actual	31 March 2019 Actual
Net borrowing position	226.6	263.0

**The authorised limit** - the authorised limit is the “affordable borrowing limit” required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2018/19 the Council has maintained gross borrowing within its authorised limit.

**The operational boundary** – the operational boundary is the expected borrowing position of the Council during the year. Periods where the actual position is either below or over the boundary is acceptable subject to the authorised limit not being breached. Borrowing levels were maintained well below the operational boundary throughout the year.

**Actual financing costs as a proportion of net revenue stream** - this indicator identifies the trend in the cost of capital (borrowing and other long term liabilities net of investment income) against the net revenue stream.

	2018/19
Authorised limit	£520m
Maximum gross borrowing position	£302.8m
Operational boundary	£470m
Average gross borrowing position	£294.5m
Financing costs as a proportion of net revenue stream	12%
<i>Financing costs as a proportion of net revenue stream including Investment Property income</i>	5%

### Treasury Indicators:

These indicators were not set for 2018/19 pending clarification on the revised Codes of Practice. They are produced here for information and will be published in future strategy documents.

Maturity Structure of the fixed rate borrowing portfolio - This indicator assists Authorities avoid large concentrations of fixed rate debt that has the same maturity structure and would therefore need to be replaced at the same time.

	<b>31 March 2019 Actual</b>	<b>31 March 2019 Proportion</b>	<b>2018/19 Original Limits Lower-Upper</b>
Up to 10 years	£45.9M	15%	Not set
10 to 20 years	£52.3M	17%	Not set
20 to 30 years	£53.6M	18%	Not set
30 to 40 years	£56.7M	19%	Not set
Over 40 years	£94.4M	31%	Not set

Principal sums invested for over 364 days - The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to seek early repayment or redemption of principal sums invested. The Actual figure reflects investment in the CCLA Property Fund

	<b>2018/19 Limit</b>	<b>2018/19 Actual</b>
Investments of 1 year and over	Not set	£5m

**Counterparties with which funds were deposited (April 2018 – March 2019)**

**Banks and Building Societies**

Goldman Sachs International Bank  
Lloyds Bank  
National Westminster Bank  
Santander UK  
Svenska Handelsbanken

**Local Authorities**

Lancashire County Council  
Nottinghamshire Police and Crime Commissioner  
Newcastle City Council

Monmouthshire County Council  
Blaenau-Gwent Borough Council  
Slough Borough Council  
Northumbria Police and Crime Commissioner

**Other Approved Institutions**

Public Sector Deposit Fund  
Goldman Sachs Sterling Reserve Fund  
Aberdeen Asset Management Ltd  
Funding Circle  
CCLA Local Authorities Property Fund

## Non Treasury Management Investments

As at 31st March 2019

<b>Investment Properties</b>	
<b>The criteria the Council has adopted for the recognition of an investment priorities is :-</b>	
A property held primarily to generate rental income or for capital appreciation or both.	
A property that is used solely to facilitate delivery of services, or to facilitate delivery of services as well as rentals does not meet the definition.	
<b>Asset</b>	<b>Value at 31.03.2019 * £ million</b>
Distribution Warehouse at Medway Ferndown	28.8
Fugro House	26.1
Gadeon House	19.8
Gala Bingo Club	15.3
Torquay Golf Course (Petitor)	0.3
Unit 3 Riviera Park	1.2
Waterside Caravan Park	0.8
Wren Retail Park	2.5
Twyver House, Gloucester Purchase Price £12m	18.1
Woodwater House Exeter Purchase Price £10m	13.6
The Range, Babbacombe	9.3
3 Lucknow Road, Bodmin	8.8
<b>SubTotal</b>	<b>147.4</b>
<b>Investment Assets under construction</b>	
Travelodge, Chippenham	0.1
Distribution facility, Exeter	2.6
<b>Total</b>	<b>150.1</b>
* Note: Valuation are made inline with the CIPFA Accounting Code as required for the Council's Statement of Accounts	

### Loans (over £50k balance outstanding)

All loans over £50k have received Council or Investment Committee Approval in line with Financial Regulations

<b>Debtor</b>	<b>Value Principal £ million</b>	<b>Loan Term (years)</b>	<b>Remaining term as at 31/03/19</b>	<b>Interest rate per annum</b>	<b>Outstanding Balance 31.03.2019 £ million</b>	<b>Note</b>	<b>Mitigation of risk</b>
Care Home Provider	1.3	10	8 years and 8 months	5%	1.1		legal charges in place
Parkwood Leisure	1.7	12	12 years	4.80%	1.7		asset leased from Council
South Devon college	4.0	25	23 years & 3 months	2.80%	3.7		None - Council decision to accept risk as public sector
TEDC - Cockington Car Park	0.6	n/a		n/a	0.0	Not yet taken up	Wholly owned subsidiary of the Council
TEDC - Kings Ash House	1.5	25	23 years & 3 months	4.50%	1.4		
THAT Group	9.3				0.0	Not yet taken up	legal agreement and personal guarantee
<b>Total</b>	<b>18.4</b>				<b>7.9</b>		

**Guarantees**

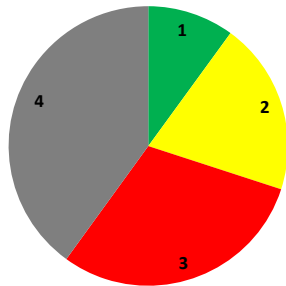
None as at 31.3.19

**Pension Guarantees (to Pension Fund not Employer)**

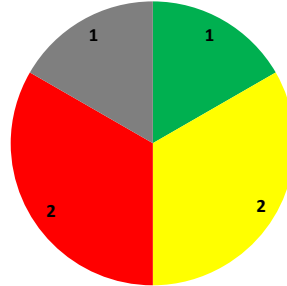
Employer	Nature of Guarantee **	Fund Start Date	Bond Renewal Date	Existing Bond Amount £'000	***2017 Assessed Risk £'000	Mitigation of risk
Action for Children	A	01.08.2012	31.12.2016	80	22	Council contract
Mama Bears	A	08.12.2012	08.01.2018	22	9	Council contract
Healthwatch Torbay	A	01.05.2013	Cash held in Escrow A/C with DCC	13	21	Escrow a/c
Churchill Services (Sherwell Valley)	A	01.10.2014	30.09.2017	24	7	Low value
Torbay Community Development Trust	A	01.03.2014	Cash held in Escrow A/C with DCC	21	18	Escrow a/c
Sanctuary Housing (Intergrated Domestic Abuse)	A	02.09.2014	01.10.2019	10	39	Bond in place until 1.10.19
Torbay Coast and Countryside Trust	C	01.12.1999	n/a	n/a	223	linked charity
Tor 2 Waste (Kier PCG)	C	19.07.2010	n/a	n/a	324	pass through
Tor 2 Street Scene (Kier PCG)	C	19.07.2010	n/a	n/a	659	pass through
Tor 2 Asset Management (Kier PCG)	C	19.07.2010	n/a	n/a	632	pass through
Torbay Econ. Development Agency	C	01.07.2011	n/a	n/a	525	wholly owned subsidiary
The Childrens Society (Services) Ltd	C	01.01.2014	n/a	n/a	8	Low value
SS Torbay Schools	C	01.08.2014	n/a	n/a	21	Low value
LEX Leisure (transfer of Velopark staff )	n/a	1.12.17	If deficit materialises, through LEX becoming insolvent, amount will be added to Council's existing deficit			
Libraries Unlimited (transfer of Libraries staff )	n/a	01.04.18	Any liability arising through Libraries Unlimited becoming insolvent, the amount will be added to the Council's existing fund deficit. In addition, any liability at the end of the contract will also be added to the Council's fund deficit			
CSW Group (Cornwall Local Government Pension Scheme)	n/a		tbc	tbc	tbc	tbc

\*\*A= Bond is required as part of the organisation's admission agreement  
 C= A bond is not in place and either the letting authority or a guarantor has responsibility for any residual deficit  
 \*\*\*The summary shows the 2017 Assessed Risk Value as supplied by the Devon Local Government Pension Scheme

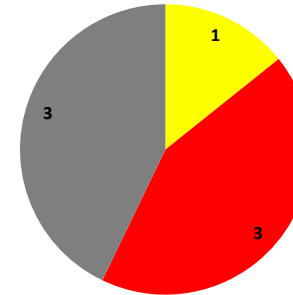
# Corporate Performance Report: Quarter 4 2018/19



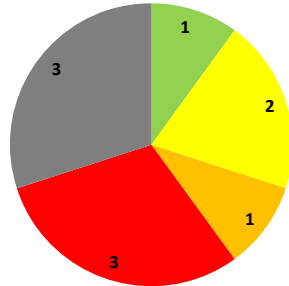
Attractive and Safe PIs (10)



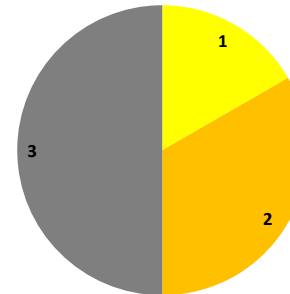
Promoting Healthy Lifestyles PIs (6)



Prosperous Torbay PIs (7)



Protecting Vulnerable Adults PIs (8)



Running an Efficient Council PIs (6)

## Key to Performance Status:



## Corporate Plan Priority: Ensuring Torbay remains an attractive and safe place to live and visit

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value
NI191	<a href="#">Residual household waste per household</a>	It's better to be low	On Target	124	120kg	133	133	125	Reported 1 quarter in arrears	125
NI192	<a href="#">Percentage of household waste sent for reuse, recycling and composting (LAA)</a>	It's better to be high	Well Below Target	42.44%	50.00%	44.19%	42.44%	41.35%	Reported 1 quarter in arrears	41.35%
<b>Priorities for last quarter</b>						<b>Achieved?</b>	<b>Priorities for next quarter</b>			
Report was agreed at full council on 21/2/19 and the recycling vehicles have been ordered and the tender is in process for the refuse collection vehicles.						Yes	Complete the three waste consultations and return to DEFRA by 13/5/19 which will give the UK strategic waste direction for at least the next Ten years starting from 2023. Take delivery of the new vehicles provide a resilient collection service for Torbay's residence and then implement new methods that should see an increase in recycling and a reduction in residual waste.			
As part of the report mentioned above the collection methodology for recycling and residual waste will remain as it is currently, but with a modern fleet which will ensure regular collections and improved efficiency, so that the priorities going forward can be to target improved recycling levels and thus reducing disposal.						Ongoing	A transformation programme has started to manage the conclusion of the TOR2 contract which ends on the 18/7/19 and decide how the services that this contract currently provides will be undertaken and in what form from 19/7/20. New vehicles arrive starting early June 2019.			

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	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value
ASPI0 a	<a href="#">Numbers on the housing waiting list by Band A</a>	It's better to be low	Well Above Target	Band A 3	Band A 2	5	7	5	5	5
ASPI0 b	<a href="#">Numbers on the housing waiting list by Band B</a>	It's better to be low	Well Below Target	Band B 242	Band B 300	240	219	221	169	169
ASPI01	<a href="#">Average number sleeping rough (Local Data)</a>	It's better to be low	On Target	37	20	21	21	23	21	21
ASPI08	<a href="#">Number of Events by Torbay Council or on Council Land</a>	N/A	(monitoring only)	8	N/A	74	62	15	3	3
	<a href="#">BID PIs in development</a>					BID are developing their dashboard of PIs				
	<a href="#">BID PIs in development</a>					BID are developing their dashboard of PIs				



Code	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Cumulative to date
ASPI02	<a href="#">Numbers in Temporary accommodation</a>	It's better to be low	Well Above Target	537	420	158	126	75	120	485
ASPI05	<a href="#">Domestic violence incidents</a>	N/A	(monitoring only)	3,541	N/A	824	983	955	N/A	Awaiting crime figures from Police
<b>Priorities for last quarter</b>				<b>Achieved?</b>	<b>Priorities for next quarter</b>					
To monitor average numbers sleeping rough in relation to Cold Weather Provisions.				Ongoing	To monitor average numbers sleeping rough in relation to Cold Weather Provisions.					
To continue to reduce the numbers in Temporary Accommodation.				Ongoing	To continue to reduce the numbers in Temporary Accommodation.					

## Corporate Plan Priority: Promoting healthy lifestyles across Torbay

The Corporate Support Team is working with Public Health to Develop PIs, and provide more up to date, more frequent data.

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.0 6iHI	<a href="#">Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)</a>	It's better to be low	N/A	24.3%	22.4%	2017/18	Value not published for data quality reasons
PHOF2.1 5iHI	<a href="#">Successful completion of drug treatment – opiate users</a>	It's better to be high	Well Above Target	8.4%	6.5%	2017	7.5%
PHOF2.1 3iHI	<a href="#">Percentage of physically active adults</a>	It's better to be high	On Target	55.5%	66.0%	2016/17	67.1%
PHOF2.1 2HI	<a href="#">Excess weight in adults - Percentage of adults classified as overweight or obese</a>	It's better to be low	On Target	61.2%	61.3%	2016/17	62.0%
PHOF2.0 3HI	<a href="#">Smoking status at the time of delivery</a>	It's better to be low	Well Above Target	15.2%	10.8%	2017/18	14.5%
PHAF 10.01	<a href="#">Admission episodes for alcohol-related conditions (persons; narrow definition)</a>	It's better to be low	Well Above Target	841	632	2017/18	788

Priorities for last quarter	Achieved?	Priorities for next quarter
<b>Excess weight in primary school age children:</b> Futher embed the four priority areas through project delivery	Ongoing	No update from the last quarter
<b>Excess weight in primary school age children:</b> 1. Embed THL web content through social media content and school feedback mechanisms. 2. Develop Wave 2 options including an award process	Ongoing	No update from the last quarter
<b>Excess weight in primary school age children:</b> Re schedule and promote the conference	Ongoing	No update from the last quarter
<b>Excess weight in adults (16+):</b> Support ongoing delivery, evaluation and sustainability options for Diabetes prevention	Ongoing	No update from the last quarter
<b>Excess weight in adults (16+):</b> 1. Align Healthy Weight Action Plan, outcomes and partnership around agreed priority areas - cooking skills, healthy food access, food awareness in young people, families and people living in areas of inequality. 2. Align delivery and aspirations with other related areas of public health such as oral health and mental well-being	Ongoing	No update from the last quarter
<b>Percentage of physically active adults:</b> Launch 'Torbay on the Move' with supporting communications plan	Ongoing	No update from the last quarter
<b>Percentage of physically active adults:</b> Capture and promote outcomes and develop sustainability plans	Ongoing	No update from the last quarter
<b>Percentage of physically active adults:</b> Agree project portfolio and delivery plans	Ongoing	No update from the last quarter
<b>Smoking status at time of delivery:</b> Develop smokefree policy on acute site. Undertake maternity deep dive alongside NHS partners.	Ongoing	No update from the last quarter
<b>Successful completion of drug treatment:</b> Monitoring of rates to clarify if this is an aberation or a trend - implement action plan with provider service if trend continues	Ongoing	No update from the last quarter
<b>Admission episodes for alcohol-related conditions:</b> Monitoring of activity to ensure actions are improving activity rates	Ongoing	No update from the last quarter

## Corporate Plan Priority: Working towards a more prosperous Torbay

Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value	
PTPI07	<a href="#">Housing Benefit Caseload Count</a>	N/A	(monitoring only)	12,124	N/A	11,967	11,696	11,156	10,579	10,579	
<b>Priorities for last quarter</b>						<b>Achieved?</b>	<b>Priorities for next quarter</b>				
To maintain current progress whilst preparing to adapt to further scheduled legislative changes to Universal Credit from January 2019. These amendments will need to be absorbed into revised processing procedures and staff training. We will look to improve processing times as we move towards year end and a period of consistency can be established.						Yes	Further legislative changes for Universal Credit are due to be implemented for May 2019. This is regarding mixed age couples (pension age and non pension age) which will require additional processing procedures within the Revenue and Benefits Dept. This will include increased scrutiny of benefit applications received each day to ensure correct claim eligibility and increased levels of customer contact to provide advice and guidance.				
We are still awaiting improved format consistencies of information from the DWP to support software houses to develop automated functions. We await this important step forwards to help reduce the current highly intensive levels of manual processing that is required to process Universal Credit information. A further review of Universal Credit data share information to improve current efficiencies/automation processes will hopefully start to be developed in the Summer/Autumn.						No	We continue to await further developments for improvements in Universal Credit data format and consistencies that would assist to reduce our current highly intensive levels of manual processing of Universal Credit information received.				
Review nearing completion - by transformation team (TP5).						Ongoing	As we continue to move forward with the introduction of Universal Credit in Torbay, we continue to progress the development of creating a new Council Tax Support banding scheme for working age residents to be implemented from April 2020. A banded scheme will assist to regulate Council Tax billing for the increasing caseload of Universal Credit customers. The amount received for UC can change each month, prompting a recalculation of the customers entitlement to Council Tax Support and subsequent revised Council Tax billing. A banded scheme will provide customers with a more consistent schedule of payments unless their income levels fundamentally change. This will result in a simplified administration process within our work processes and improve efficiencies. Within Q1, the initial work of project timetable, scheme costs, modelling of current caseload and setting the proposed income bands will take place, before public consultation for the new scheme will commence in Q2.				

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Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value
PTPI02	<a href="#">Gross rateable value of Business Rates (NNDR)</a>	It's better to be high	On Target	£92,989,205	£94,286,273	£93,390,510	£93,444,510	£93,720,595	£93,623,630	£93,623,630
	<a href="#">Employment PI in development</a>									
	<a href="#">Local Procurement PI in development</a>									

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Last period value
PTPI03	<a href="#">Out of Work Benefits Claimant Count</a>	It's better to be low	Well Above Target	2.4%	2.7%	2.3%	2.2%	2.0%	1.9%	1.9%	1.8%	1.8%	2.0%	2.4%	2.6%	2.9%	3.0%	3% (2,310)

Code	Title	Polarity	Status	Prev Year End	Great Britain Value		Last period value
PTPI05	<a href="#">Earnings by Residence (weekly full time)</a>	It's better to be high	Well Below Target	£477.10	£571.10	2018	£472.40
PTPI06	<a href="#">Earnings by Workplace (weekly full time)</a>	It's better to be high	Well Below Target	£467.10	£570.90	2018	£444.10

## Corporate Plan Priority: Protecting all children and giving them the best start in life

(Data is derived from a live database that is continually updated. Previously reported numbers are subject to change)

Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Average per month for year to date
	<a href="#">Number of Social Care Referrals</a>	In line with benchmarks	just below expected levels	153	160	201	177	183	203	136	136	112	202	135	131	90	126	152
Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Last period value
	<a href="#">Number of Children Looked After</a>	In line with benchmarks	Well above expected levels	327	250	326	334	355	358	354	350	348	353	356	349	356	359	359
	<a href="#">Number of Early help referrals received in month</a>	In line with our service expectations	Below expected levels	61	80	74	80	63	42	77	47	64	67	45	71	58	106	106
	<a href="#">Number of CP plans at month end by Category</a>	In line with benchmarks	In line with benchmarks	205	172	145	153	142	165	170	168	146	148	172	170	186	183	183
	<a href="#">% of children with an Initial Child Protection Conference held within 15 days from strategy meetings</a>	Its better to be high	Improved but still below expected levels	66%	100%	31%	74%	64%	73%	50%	55%	59%	100%	70%	74%	71%	74%	74%
	<a href="#">Timeliness of Single Assessments - completed in month</a>	Its better to be high	Improved but still below expected levels	67%	82%	55.6%	64.1%	53.8%	56.0%	68.4%	71.6%	66.9%	64.8%	68.6%	78.2%	72.3%	74.2%	74.2%

Code	Title	Polarity	Status	As at 2017/18 Year End	Anticipated Performance Level	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Last period value
	<a href="#">% CLA cases reviewed within timescales during the month</a>	Its better to be high	Below expected levels	96.1%	100%	94.8%	94.5%	95.9%	90.8%	93.5%	93.0%	94.5%	94.8%	95.1%	93.9%	92.9%	93.2%	93.2%
	<a href="#">Children on CIN plans visited within 30 working days</a>	Its better to be high	Below expected levels	71.1%	90%	81.7%	77.0%	73.9%	79.5%	77.2%	75.9%	80.8%	83.3%	80.6%	79.4%	78.1%	71.1%	71.1%
	<a href="#">Timeliness of adoptions (Average nos of days between entering care and moving in with adopted family)</a>	Its better to be low	Better than targets	411	418	0	0	308	347	441	441	417	417	409	409	409	386	386

Title	Polarity	Status	As at 2017/18 Year End	Quarter Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value
<a href="#">Social Work Staffing levels - vacancies</a>	Its better to be low	Above expected levels	22.4%	18%	25.5%	21.7%	28.4%	30.2%	30.2%

Priorities for last quarter	Achieved?	Priorities for next quarter
Immediate actions from Ofsted relating to visiting and assessment timeliness	Ongoing	Immediate actions from Ofsted relating to visiting and assessment timeliness
Introduction of QPRM quality performance review monitoring	Ongoing	Role of QPRM to focus on improved quality, reduction of caseloads and increase in supervision.
Recruitment and retention strategy to stabilise workforce	Ongoing	Recruitment and retention strategy to stabilise workforce
Focus on understanding drivers that increase contracts and referrals.	Ongoing	Focus on understanding drivers that increase contracts and referrals.

## Corporate Plan Priority: Protecting and supporting vulnerable adults

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Year to end of month
L1404	<a href="#">No. of permanent care home placements</a>	It's better to be low	On Target	604	600	602	605	616	625	625	619	629	633	627	615	615	605	605
SC-007b	<a href="#">Number of out of area placement reviews overdue by more than 3 months (snap shot)</a>	It's better to be low	Below Target	0	0	1	0	0	1	1	1	3	1	1	4	3	3	3
ASC 2C p2	<a href="#">Delayed transfers of care from hospital. Part 2 - attributable to social care</a>	It's better to be low	No Target Set	1.9	N/A	2.6	2.5	2.6	2.8	2.4	2.2	2.1	2.1	2.1	2.6	2.7	N/A	2.7 (Reported 1 month in arrears)
SC-008 (LI-451)	<a href="#">% of social care service users receiving 5 hours or less of dom care per week only</a>	It's better to be low	Well Above Target	10.8%	8.0%	10.8%	10.3%	10.0%	9.7%	9.8%	9.9%	9.9%	9.9%	9.8%	10.2%	10.2%	10.1%	10.1%
NI13	<a href="#">Carers receiving needs assessment or review &amp; a specific carer's service, or advice &amp; information (LAA)</a>	It's better to be high	Well Below Target	42.0%	36.0%	1%	3%	5%	7%	10%	13%	16%	20%	22%	24%	26%	29%	29%
	<a href="#">Number of Safeguarding referrals</a>	N/A	No Target Set	267	N/A	18	42	66	89	111	121	132	151	162	182	195	205	205
TCT14b	<a href="#">Safeguarding Adults - % repeat SG referrals in last 12 months</a>	It's better to be low	On Target	7.1%	8.0%	8.4%	9.1%	9.9%	9.7%	7.9%	6.8%	6.7%	7.4%	8.0%	7.8%	7.8%	8.3%	8.3%
ASC 1E	<a href="#">Proportion of adults with a learning disability in paid employment</a>	It's better to be high	Above Target	3.8%	6.4%	1.0%	1.0%	1.0%	1.0%	1.2%	2.8%	3.0%	3.7%	3.7%	4.4%	6.6%	6.8%	6.8%
ASC 1H	<a href="#">Proportion of adults in contact with secondary mental health services who live independently, with or without support (commissioned outside ICO)</a>	It's better to be high	Well Below Target	55.0%	68.0%	51.5%	55.1%	55.4%	54.2%	51.4%	48.1%	46.5%	53.2%	55.2%	59.3%	54.0%	50.0%	50.0%
SC-011	<a href="#">Number of people discharged from hospital into permanent residential care (social care funded)</a>	It's better to be low	No Target Set	7	N/A	0	2	3	3	4	5	5	6	6	7	7	8	8

Priorities for last quarter	Achieved?	Priorities for next quarter
Better recording on the system should start to show an improvement in N135. Carers Lead Officer is monitoring.	Ongoing	Will take time to embed. Continue to monitor until next quarter.
Will need time to embed before improvements start to show on ASC 1E. Ongoing monitoring by lead commissioner.	Ongoing	Will take time to embed. Continue to monitor until next quarter.
SPOT Opportunities commissioned to undertake reviews of Learning Disability clients package of care. Project plan is in situ and reviews commenced. Will have numbers /outcomes during next quarter. Also need to ensure accuracy of recording.	Ongoing	Will take time to embed. Continue to monitor until next quarter.
( ASC 1H ) Review taking place results will be evident during next quarter. Ongoing monitoring by lead commissioner.	Ongoing	Will take time to embed. Continue to monitor until next quarter.



## Corporate Plan Priority: Running an Efficient Council

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Cumulative to date
RECP101	<a href="#">Agency Staff Cost (excluding schools)</a>	It's better to be low	Well Above Target	£2,483,714	£105,900	£112,107	£305,328	£354,800	£462,949	£445,770	£272,665	£376,408	£286,438	£197,749	£297,842	£248,099	£481,298	£3,841,454
																		Adults £0k, Children's £401.9k, Public Health £0.3k, Business Services £13.2k, Corporate Services £28.3k and Planning & Transport £38.2k

Code	Title	Polarity	Status	Prev Year End	Annual Target	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Last period value
RECP102	<a href="#">Variance Against Revenue Budget (projected)</a>	It's better to be low	Above Target	£1,876,000	£0	£-	£-	£2,844,000	£2,850,000	£3,098,000	£2,369,000	£2,278,000	£2,990,000	£92,000	£550,000	£260,000	Not available	Currently Year end. The figures for March won't be available until the end of April

Priorities for last quarter	Achieved?	Priorities for next quarter
Continue moratorium on spend to limit in year overspend	Ongoing	Continue moratorium on spend to limit in year overspend
Continued Identification of in year savings	Ongoing	Continued Identification of in year savings
Commence Budget 20/21	Ongoing	Commence Budget 20/21

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Last period value
RECP105	<a href="#">Stage 1 complaints dealt with on time</a>	It's better to be high	Well Below Target	54%	90%	44%	45%	48%	40%	40%

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Quarter 4 2018/19	Cumulative to Date
RECP106	<a href="#">Number of stage 1 complaints logged</a>	N/A	(monitoring only)	395	N/A	229	221	174	155	779
RECP108	<a href="#">Number of stage 1 complaints logged per 1,000 population</a>	N/A	(monitoring only)	3.0	N/A	1.7	1.7	1.3	1.2	5.8

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Cumulative to Date	
RECP107	<a href="#">Number of Data breaches</a>	N/A	(monitoring only)	25	N/A	4	2	13	10	5	13	4	6	2	5	5	5	66	
Priorities for last quarter									Achieved?	Priorities for next quarter									
All Data Protection training sessions delivered.									Yes	Development of data security and protection action plan.									
DIPA template and guidance on intranet.									Yes	Complete review and update of intranet webpages.									
Implement new complaints procedure.									No	Recruitment of complaint investigators and implementation of new procedure.									

# Audit Progress Report and Sector Update

Torbay Council  
Year ending 31 March 2019  
18 June 2019



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# Introduction



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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

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

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

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**PSAA Contract Monitoring** - Torbay Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts with the 2018/19 audit. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psaa.co.uk](http://www.psaa.co.uk).

# Progress at 7 June 2019

## Financial Statements Audit

The final accounts audit is now scheduled to begin on the 5 August having been deferred from the originally scheduled date in late May/June. The findings will be reported to you in our Audit Findings Report. We will present our report at the September Audit Committee meeting.

## Value for Money

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

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

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

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

We carried out our initial risk assessment to determine our approach in December 2018 and the results of this were included in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion in September 2019.

## Other areas

### Certification of claims and returns

We will be certifying the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2018/19 claim will be concluded by 30 November 2019.

We will also be auditing the Council's Teacher's Pension return for 2018/19 in accordance with the procedures agreed with Teachers Pensions by the deadline of 30 November 2019.

Certification work is not part of the PSAA contract and this work is subject to separate engagement letters.

### Meetings

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

We also met with your Chief Executive in May to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our latest events were our local government accounts workshops which took place in February 2019. The Council's finance staff attended the workshop in Plymouth.

# Audit Deliverables

2018/19 Deliverables	Planned Date	Status
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2018-19 financial statements.	March 2019	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit within our Progress Report.	March 2019	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the September Audit Committee.	September 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statements, annual governance statement and value for money conclusion.	September 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	October 2019	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work on housing benefits.	December 2019	Not yet due

## Council responsibilities

In our Audit Plan presented to the Audit Committee in March 2019 we have communicated our expectations around the Council's responsibilities for timely production of the draft accounts supported by appropriate working papers. Should delays be experienced in the provision of these requirements or should additional work be required on our part due to complex technical issues, new arrangements and delays in response to queries additional costs will be incurred.

Any additional fees are subject to approval by PSAA.

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# Sector Update

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Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

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

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

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

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# National Audit Office – Planning for new homes

The National Audit Office (NAO) has recently published a report on *Planning for new homes*. This report is part of a series on housing in England, including *Housing in England: overview (2017)* and *Homelessness (2017)*. The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes year on average.

The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

The report concludes that the Department and government more widely need to take this much more seriously and bring about improvement if they are to meet their ambition of 300,000 new homes per year by the mid-2020s.

The report is available on the NAO website:

<https://www.nao.org.uk/report/planning-for-new-homes/#>



# National Audit Office – Pressures on children’s social care

The Local authorities in England have statutory responsibility for protecting the welfare of children and delivering children’s social care. In extreme cases they may use their statutory powers to place children in need on protection plans or even take them into care. Local authorities are also responsible for delivering non-statutory services for all children and young people, such as children’s centres. The Department for Education (the Department) provides statutory guidance on delivering these functions. It also has overall policy responsibility for children’s services, and has the strategic vision that all vulnerable children, no matter where they live, should have access to high-quality support by 2022.

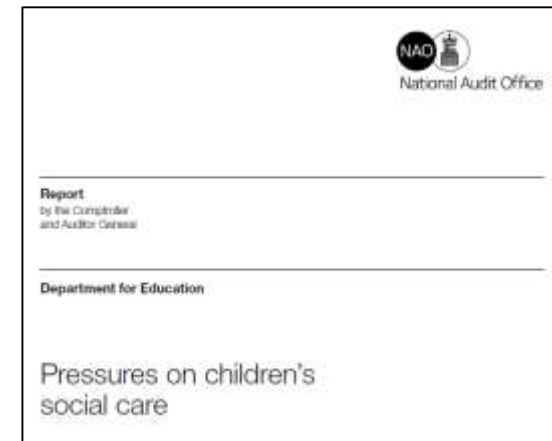
The report sets out recent trends in pressures on children’s social care demand and activity and the response of both national and local government to these pressures. It also sets out analysis the NAO conducted about what is causing variations in children’s social care demand and activity between different local authorities. The report covers:

- the pressures on children’s social care;
- the response of national and local government to increasing demand for children’s social care; and
- NAO analysis of what is causing variations in demand for children’s social care between local authorities.

The report notes that, while the Department has put in place a programme of reform, it still does not fully understand what is driving demand for children’s social care or why there is such wide variation between local authorities in their children’s social care activity and costs. It has not yet done the work to tie together available sources of information and therefore lacks a well-informed pathway to achieve its goal. While the Department has recognised the need for this analysis, it will not complete the work until summer 2019. Even if its analysis is completed successfully it will be a tall order for the Department to achieve its goal within three years.

The report is available on the NAO website:

<https://www.nao.org.uk/report/pressures-on-childrens-social-care/>



# CIPFA – Social Care risk tool

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Directors of Adult Social Services' (ADASS) have updated the Social Care Risk Tool; an advisory risk assessment tool for discretionary use by councils with adult social care responsibility.

To download the tool:

<https://www.cipfa.org/cipfa-thinks/health/articles/social-care-risk-tool>

The tool's objective is to help authorities assess whether unsustainable financial pressures might be faced by the adult social services department. It seeks to do this by assessing the extent to which various risk factors apply. This is the third version of the risk tool and it has been expanded to include new risks that have emerged since the previous version. In addition, a number of risks have been revised to make them clearer.

The risk assessment adopts a survey format and covers the following areas:

- savings;
- local pressures; and
- culture and relationships.

Each of the areas above includes a series of questions (or indicators), and authorities are required to assess whether the indicators are strongly present (score of 5); only present to some extent (scores 2 to 4); or not at all (score of 1). The total score helps to give an indication of where the authority lies. The maximum score is 195 (there are 39 questions altogether) which represents the highest risk possible. Some of the metrics (particularly those relating to unit costs) are more illustrative than prescriptive and local authorities may wish to adjust these to reflect their local circumstances.



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# Links

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<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

## National Audit Office

<https://www.nao.org.uk/report/planning-for-new-homes/#>

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