

Reports on Intended Decisions to be taken by the Chief Finance Officer

Published: Tuesday, 19 May 2020

A prosperous and healthy Torbay

1. COVID-19

In light of the Government's guidance on social distancing, the Audit Committee scheduled for 27 May has been cancelled.

Alternative decision making arrangements have been put in place for any decisions which need to be made during the COVID-19 outbreak. For other committee meetings such as Audit Committee, decisions will be taken by officers.

All such decisions will be made after consulting the appropriate councillors and decisions and any associated reports will be published on our website at:

<https://www.torbay.gov.uk/DemocraticServices/mgDelegatedDecisions.aspx?bcr=1>

The Chief Finance Officer, by way of the publication of this document, hereby gives notice that he intends to consider the reports contained herein. Records of the decisions made by the Chief Finance Officer will be published on our website after the anticipated decision date.

2. Annual Governance Statement 2019/2020

(Pages 3 - 26)

To consider the draft Annual Governance Statement 2019/2020.

Intended decision date on or after 28 May 2020.

3. Annual Audit Report 2019-20

(Pages 27 - 61)

To note the report of the Chief Internal Auditor's Annual Report.

Intended decision date on or after 28 May 2020.

4. Treasury Management Outturn 2019/20

(Pages 62 - 76)

To note the Treasury Management decisions made during 2019/20 and the performance against the approved Prudential and Treasury indicators.

Intended decision date on or after 28 May 2020.



Meeting: Chief Finance Officer **Date:** 27/05/2020

Wards Affected: All

Report Title: Annual Governance Statement 2019/2020

Is the decision a key decision? No

When does the decision need to be implemented? Immediately

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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 2019/2020 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 2019/2020

Background Documents

None

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2019/2020

Explanatory Note

This Annual Governance Statement covers the Financial Year 2019/2020 during which Torbay Council's governance arrangements changed a number of times.

For the first month covered by this report, the Council operated an Elected Mayor model of governance. On 2 May 2019 the new Council was elected and moved to a Leader and Cabinet model of governance, with the Cabinet having collective decision making powers.

On 23 March 2020, as a result of the Covid-19 outbreak and in light of the Government's guidance on social distancing, all public meetings were cancelled. In addition, the Leader of the Council changed the delegation arrangements to enable him as Leader to make executive decisions rather than collectively by the Cabinet. However with the use of technology permitting virtual meetings, decisions reverted to being made collectively by cabinet as of 7 May 2020.

Whilst this Annual Governance Statement covers significant governance issues from 1 April 2019 up to the date of approval of the Statement of Accounts, the governance system described throughout is, in the main, that which was in place for the majority of the 2019/2020 municipal year (namely Leader and Cabinet, with collective decision making).

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

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) and until 2 May 2019, the Council was made up of the Elected Mayor and 36 Councillors who, together, were responsible for approving the Council's Budget and Policy Framework. The Elected Mayor was responsible for decisions which were 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 were referred to the Council for decision.

From May 2019 Torbay Council moved to a Leader and Cabinet model of governance. The Leader of the Council and the Cabinet are responsible for major decisions including key policy matters within the framework set by Full Council. These are referred to as "Executive Functions". When major decisions are to be discussed or made, these are published in the Forward Plan in so far as they can be anticipated. The Cabinet collectively takes decisions at meetings of the Cabinet and these meetings will generally be open for the public to attend except where exempt or confidential matters are being discussed.

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.

As the local elections in May 2019 left no party with overall control of the Council, the Liberal Democrat Group and Independent Group have signed a partnership agreement and have joined together to form the administration of the Council.

The Cabinet has to make decisions which are in line with the policies and budget set by Council. If they wish to make a decision which is outside the budget or policy framework, this must be referred to the Council as a whole to decide. The Council has an overview and scrutiny process which provides a 'critical friend' challenge to cabinet policy makers and decision making.

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 five times per municipal year.

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 Cabinet 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.

As a result of the Covid-19 outbreak, Group Leaders reviewed the approach to the council's public meetings. In light of the Government's guidance on social distancing, from Monday 23 March 2020 all public meetings were cancelled.

For Cabinet decisions, the Leader of the Council changed the delegation arrangements to single decision making rather than collectively by Cabinet members. This enabled decisions to be taken remotely. The Leader of the Council consulted with the Cabinet and Group Leaders remotely, prior to making decisions. Associated officer reports for decisions were published in advance of decisions being made.

Any urgent Council decisions required to be made during this time were made by the Chief Executive in consultation with the Leader and Group Leaders.

For other decision-making Committees, in circumstances where decisions could not be delayed, officer delegations applied after consultation with relevant members. However with the use of technology permitting virtual meetings, from the beginning

of May 2020 where required, meetings have been arranged virtually and collective responsibility for decisions by Cabinet and Full Council has been re-instated.

The Corporate Plan and Decision-making

Included within the Policy Framework is the Council's Community and Corporate Plan, the main strategic document under which all other Policy Framework documents sit. Following the local elections in May 2019, a Community and Corporate Plan "One Torbay: Working for all Torbay" has been prepared by the Cabinet, and adopted by the Council, which sets out the ambitions and visions of the Council over the next four years and the principles within which the Council will operate.

The Delivery Plan associated with the Council's Community and Corporate Plan have been developed and are in the process of being agreed. Alongside this performance measures and risks are being identified. These will be monitored as part of the refreshed Corporate Performance and Risk Report.

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 2019/2020. This aims to ensure that the ambitions within the Council's Community and 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 Cabinet receive reports containing recommendations for decisions made at meetings of the Cabinet. 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.

Between 23 March 2020 and 7 May 2020, reports which the Leader of the Council considered ahead of making decisions were published on the Council's website and circulated to all members of the Council. Feedback was encouraged via electronic means before the Leader made his decision. Decisions were then published online (as would normally happen when meetings of the Cabinet were held).

The Member Development Programme provides a structured approach to member development and support them 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.

The partnership administration has made clear its wish to strengthen community engagement and empowerment and work is continuing to ensure that the Council can build on the existing arrangements across Torbay.

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 Council retains legal responsibilities for the provision of Adult Social Care in accordance with the Care Act 2014, the Mental Capacity Act 2005 and the Mental Health Act 1983, but these are delegated to Torbay and South Devon NHS Foundation Trust, an integrated organisation responsible for providing acute health care services from Torbay Hospital, community health services and adult social care for the people of Torbay and South Devon.

The Torbay Adult Social Care Risk Share 2020 to 2023 agreement under the powers outlined in S.75 NHS Act 2006 was agreed in March 2020 to continue integrated appropriate and well managed arrangements for Adult Social Care in Torbay.

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), 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.

Our 10-year joint venture TOR2 contract with Kier ends in July 2020. Councillors voted in February 2019 to create a new wholly-owned company to continue the service and bring bin collections, recycling and other front line services back in house. The Council has since been considering options for the future delivery of the services currently delivered by TOR2.

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 (a partnership across all of the local authorities in Devon and Somerset plus the national park authorities, the Local Enterprise Partnership and the Clinical Commissioning Groups) 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.

A review of a joint arrangement between Plymouth and Torbay councils to share a Director of Children's Services concluded that each authority needs its own director to provide more strategic capacity and make the improvements that are necessary for our respective services. The arrangement of a Joint Director of Children's Services came to an end in January 2020. An Interim Director of Children's Services was agreed at council in December 2019 and a permanent Director appointed in mid February 2020.

Performance and Risk Management

The Council records performance information using performance-reporting software called SPAR.net.

The framework for Performance and Risk has been under review since the Local Elections in May 2019 and the subsequent adoption of the new Community and Corporate Plan "One Torbay: Working for all Torbay". As a result, new Performance and Risk Dashboards are in development to reflect the priorities of the Plan, measure the specific actions within the ensuing delivery plans and ensure current strategic or operational risks are identified, mitigated and monitored.

The Senior Leadership Team will monitor the Council's performance and risks. They will receive formal updates on a quarterly basis. These updates will be shared with the Leader and Cabinet at Informal Cabinet meetings and with Audit Committee. Any areas of concern will be 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 Assistant Directors 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 Leader of the Council and the Deputy Leader of the Council who is the Cabinet 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 Cabinet 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 at least 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.

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.

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 Governance Team have now employed two complaint investigators whose job it is to investigate the majority of corporate complaints. The introduction of these posts has meant the Council has moved to a one stage complaints process. The aim of this new process was to improve timeliness of responses, consistency of responses and improved timescales for escalation to the Local Government and Social Care Ombudsman. In the first six months of this process, the Council's performance in complaint handling has increased from 40% of responses sent on time to 70%. Reports regarding complaints are provided to the Senior Leadership Team on a regular basis, these reports include the type of complaint, service area, outcomes and any learning points. This results in further actions being identified and implemented.

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 are communicated to all staff.

The Council's Information Governance Team are responsible for monitoring and reviewing compliance to data protection legislation across the Council. Part of this work is reviewing 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 new Community and Corporate Plan "One Torbay: Working for all Torbay" was adopted in February 2020. The associated Delivery Plans which set out the challenges faced by the Council and the areas on which the Council would focus on were due to be considered in March, but with the outbreak of the pandemic, have been paused to ensure that they are focussed on how the Council will work in recovery. The subsequent Performance and Risk Dashboards which set out how the Council will measure its performance towards meeting the ambitions of the Corporate Plan and the actions in the Delivery Plans will be created as part of the current Performance and Risk Framework review. These will include progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

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

The Council's Constitution was rewritten ahead of the change to the Leader and Cabinet model of governance in May 2019. It has also been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Leader of the Council and Group Leaders whereby improvements and changes to the constitution were made and agreed.

A full Member Induction Programme was put in place immediately post the Local Elections in May 2019. Over the course of the year, the second phase of the Member Development Programme continued to build members' focus on the strategic issues.

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 2019/2020. 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 Monitoring Officer had received complaints which were dealt with in accordance with the Assessment and Determination of Allegations of Breaches of the Member's Code of Conduct and were not progressed to the Standards 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

Meetings of the Cabinet are well-established, enabling reports to be presented and considered ahead of decisions being made collectively in the public domain.

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

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring reports. There has been one decision called-in since the start of the new administration.

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 framework for Performance and Risk has been under review since the election of the new administration and the subsequent adoption of the new Community and Corporate Plan “One Torbay: Working for all Torbay”. As a result, new Performance and Risk Dashboards are in development to reflect the priorities of the Plan, measure the specific actions within the ensuing delivery plans and ensure current strategic or operational risks are identified, mitigated and monitored.

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.

Decisions taken by the Investment and Regeneration Committee, up to May 2019, and subsequently by the Cabinet in relation to the Council’s Investment and Regeneration Portfolio are taken in accordance with the Investment and Regeneration Fund Strategy. This Strategy sets out how the Council aims to improve its financial resilience through the purchase of a balance portfolio of investments which appropriately spreads the Council’s risk, as well as supporting the Economic Strategy by delivering economic growth, tackling inequality and creating change in the area that benefits everyone. The Strategy also sets the framework to ensure that appropriate due diligence is undertaken during the decision making process in relation to the Council’s investments.

The Council has also established an Economic Growth Fund to help further deliver economic growth within Torbay. Applications for money from this Fund are determined in accordance with the Economic Growth Fund Criteria approved by the Cabinet, which is similar to the investment criteria but allows more flexibility in terms of income generated, as its main role it to enable growth and create jobs in Torbay. Such investments are also subject to appropriate due diligence.

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

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.

The Members’ Development Programme continues to be delivered including training on Planning, Information Governance and the Data Protection Act and Corporate Parenting and communication with councillors was supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. Councillors learning and development is also supported with external training opportunities available from The Local Government Association, The Devon Shared Service and Peers from other authorities.

Key messages and information are communicated from the Senior Leadership Team directly to all managers at quarterly Managers Forums. This is then fed back in team meetings with an emphasis on the cascade of information to front line staff.

A number of staff volunteers from different areas across the Council have been recruited to become Wellbeing Supporters. They are a confidential point of contact for employees experiencing emotional distress or a mental health issue. This interaction could range from having an initial conversation to supporting and signposting the person to get appropriate help. Volunteers attended 'Connect 5' training to provide them with the right tools and knowledge to carry out their roles.

Induction events are periodically held for all new starters. These events form part of the formal induction programme and aim to; welcome new employees to the council, give new employees important information, enable a networking opportunity and enable new employees to meet the Executive Director and/or member of the Senior Leadership Team and ask questions.

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. This work has included consultation on the proposals for budget savings and income generation.

There continues to be good engagement from partners within Torbay Together Partnership and an independent Chairman continues to lead the partnership over the last year. The Partnership took time to reflect in February as to their progress to date, and how they can improve going forward. This reflection session was independently facilitated, and attended by the LGA and local MPs to gain their advice and insight. They have continued to meet virtually through the pandemic, and are more determined than ever to work together for the benefit of Torbay.

Torbay Council held its first Community Conference on 11 September 2020 to help develop a new and more engaged relationship between the Council, individuals and communities in Torbay. Community stakeholders and members of the public were invited to attend. Following the conference the Cabinet agreed a detailed action plan and made the following commitments to the community of Torbay:

- We will embrace the spirit of co-operation and partnership.
- We will be open with our communities about the challenges that the Council faces.
- We will work to empower and enable our communities.
- We will operate with openness and transparency.

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 carried out the planned second phase of 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.

This phase of consultation featured a series of events including roadshows, Facebook live sessions, attendance at a range of community meetings and an open public event held at the Riviera Centre. A series of information videos was made available and a questionnaire hosted on the Council's website that attracted over 1, 700 responses. The second stage of community engagement ended in October 2019.

In light of the wishes of the significant majority of respondents, who did not support any of the proposals for change, Cabinet's recommendation was that there be no change to existing community governance arrangements in Torbay. This recommendation was accepted by Council at its meeting on 9 January 2020.

A public consultation on the Community and Corporate Plan "One Torbay: Working for all Torbay", took place between November 2019 and January 2020. The aim of the consultation was to ensure that residents, business owners, stakeholders and groups were aware of the proposed new Community and Corporate Plan and to encourage them to provide feedback via an on-line questionnaire.

This consultation and that of the Draft Housing Strategy and Draft 2020/21 Budget proposals were promoted in a press release, on our social media and using posters in public offices and libraries as well as in key community locations. A number of Facebook live question and answer sessions were held, in order to attempt to achieve a greater reach. Community Partnerships and key stakeholders were contacted directly to ensure they could get involved in the conversation and share awareness within their communities. Links to the on-line questionnaires were sent to just over 400 Viewpoint panel members and all Council staff. The draft plan was considered by members of the Overview and Scrutiny Board.

A drop-in Cabinet Conversation was held on 14 January 2020 where members of the public could ask questions about the Budget, Draft Community and Corporate Plan and the Draft Housing Strategy. The consultation was rounded off by a public event organised by Torbay Community Development Trust (CDDT).

The partnership have introduced drop-in Cabinet Conversation events to enable people to talk to members about issues that matter to them. These are held with the aim of involving communities more in the work carried out by the Council to improve Torbay.

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 approach to managing and reporting corporate performance and risk is being reviewed and updated as part of the framework of new policies stemming from the adoption of the new Community and Corporate Plan and its delivery plans. Corporate performance and risk reports will be reviewed regularly by the Senior Leadership Team, Leader of the Council and Cabinet, Group Leaders and the Audit Committee. This will enable any areas of concern to be highlighted and recovery plans to be prepared, scrutinised and monitored. The Audit Committee will refer matters by exception to the Overview and Scrutiny Board if it is felt that further investigation is required.

A tracking system to ensure that actions to address areas identified by Internal Audit as requiring improvement are monitored by the Joint Operations Management Team, has been reviewed and is in development.

Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. Ofsted carried out monitoring visits to our children's social care services in April and October of 2019 and January of 2020.

Although the current Ofsted rating of inadequate has not changed since 2015, the January 2020 Ofsted letter acknowledges the progress that is being made, and that the DfE have appointed a commissioner to support Torbay going forward. They stated that leaders have a sound understanding of the key priorities for improvement and recognise the immense challenges they face. Leaders are highly visible and accessible, inspiring increased confidence with the workforce. It is vital that these early signs of progress are secured and sustained.

A review of a joint arrangement between Plymouth and Torbay councils to share a Director of Children's Services concluded that each authority needs its own director to provide more strategic capacity and make the improvements that are necessary for our respective services. The arrangement of a Joint Director of Children's Services came to an end in January 2020. An Interim Director of Children's Services was agreed at council in early December 2019 and a permanent Director appointed in mid-February 2020.

The Draft Annual Audit Report for 2019/2020 set out that the Head of Internal Audit's opinion was one of "Substantial Assurance" on the adequacy and effectiveness of much of the Council's internal control framework. The exception to this is the Children's Directorate where they were only able to provide "Limited Assurance" at this time however the Directorate is showing a positive direction of travel and is currently driving significant change through a service programme, including a complex migration to a new IT system. The Local Authority's Children's Services, is under a Government appointed Commissioner and Adult Social Care is

delivered through the Integrated Care Organisation, which has its own scrutiny function.

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).

A new partnership agreement changed the way that two key services for children and young people are run. The Torbay Youth Service and the Young Carers Service are now delivered by Torbay Youth Trust. This arrangement will result in more opportunities to creatively support young people in Torbay to be happy, healthy, safe and to achieve, than would be available if the services were delivered solely by the local authority.

As part of the work of developing the Community and Corporate Plan, a new Housing Strategy for 2020-2025 was approved by Council in February 2020. This strategy and four other associated strategies set out the Cabinet's plans toward meeting its priority of improving the delivery, affordability and quality of housing in Torbay.

Significant governance issues

Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. The level of impact this had in 2019/20, and continues to have in 2020/21, is changing as the situation develops. In respect of this statement it has not been possible to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

In response to the COVID19 outbreak Torbay Council has had to adapt significantly but is able to continue delivering a mostly normal service to our community. The vast majority of staff are able to work productively from home with agile working kits and via video meetings. Where possible, those who are not able to work from home, and many volunteers, have been redeployed to services delivering our response to the outbreak, without any need to furlough any staff. Staff wellbeing is being supported through weekly wellbeing updates and dedicated web pages covering a range of issues affecting staff in and outside of work.

As mentioned earlier in this statement, alternative arrangements were made to accommodate social distancing and public meetings were cancelled. The Leader of the Council changed the delegation arrangements to enable him as Leader to make executive decisions rather than collectively by the Cabinet. All councillors were trained in the use and etiquette of video conferencing for formal meetings, in advance of the start of virtual committee meetings and collective responsibility for decisions by Cabinet and Full Council has been re-instated.

The Council endeavoured to provide regular, timely and relevant communications of official Information and guidance as well as changes to our services to the Torbay community, through our website and social media channels. Along with partners, a special edition of the local newspaper, Torbay Weekly, was delivered to every household. The newspaper provided vital information and contact details for our response services and those of partners and community organisations.

The Council worked to support the community by providing many more Covid-19 related services, such as the Community Hub which is distributing PPE and food parcels, the new Shielding Call Centre which is making thousands of calls to our most vulnerable residents. We are allocating business support grants and funding for community groups who are responding to the coronavirus outbreak. Financial support is also being offered to individuals experiencing financial hardship.

At the moment there is uncertainty over how the outbreak will fully affect our finances. It is clear that the coronavirus will have an impact on our savings proposals. There will be additional costs in some areas, savings for some departments and it will have a big impact on the amount of income we can generate this year. The government's funding to support the extra costs we have incurred for the services we have put in place as part of our COVID response and to mitigate some of the impact it's had on our overall financial position is not expected to cover the loss in income that we are experiencing. We will continue to work with neighbouring authorities and our local MPs to seek an urgent response from the government on this matter. Alongside our local members, and through engagement with Devon's MPs and government, we are doing all we can to make sure the region's voice is heard and that our concerns are discussed at the highest level. Our recovery from the economic and social impact will also continue long after the more obvious health response.

As outlined in an earlier section, Ofsted re-inspected our children's social care services in June and July 2018 and concluded that overall they remained inadequate. Ofsted carried out monitoring visits to our children's social care services in April and October of 2019 and January of 2020 and concluded that overall they remained inadequate.

Although the current Ofsted rating of inadequate has not changed since 2015, the January 2020 Ofsted letter acknowledges the progress that is being made, and that the DfE have appointed a commissioner to support Torbay going forward. They stated that leaders have a sound understanding of the key priorities for improvement and recognise the immense challenges they face. Leaders are highly visible and accessible, inspiring increased confidence with the workforce. The letter also recognises the considerable political support here at Torbay Council to improve our children's services. It is vital that these early signs of progress are secured and sustained.

Audit's Draft report on Children's Services Contracted / Commissioned Services in March 2020, identified a Lack of consistent compliance with Financial Regulations and Contract Standing Orders in relation to procurement practices. Although there

are some properly procured suppliers and supplier framework arrangements in place, there is a notable proportion of engagement with suppliers and value of spend that is not compliant with statutory and regulatory requirements, including failure to update the Contracts Register appropriately. Greater strategic level oversight of procurement is needed with less devolvement to, and less spot purchasing by, service teams.

Audit identified control issues in relation to authorisation of spend outside of the framework and have made recommendations that must also be reflected in Liquid Logic which will replace the PARIS system. Similarly, control weaknesses around payments were noted, suggesting either inaccuracies in recording in PARIS or errors in payments made. These issues could be addressed through properly recorded schedules of charges and intended payments in PARIS. Similarly, a lack of effective monitoring of supplier service and reporting to senior management for spend outside of the framework arrangements was noted. The Corporate Procurement Manager is currently temporarily overseeing procurement in Children's Services and reviewing practices including driving a culture change in relation to procurement. Children's Services has had oversight from the Deputy Head of Finance from August 2019. A number of Sufficiency Strategy Workstreams were created to develop the services for children who may need care, or who are on the edge of care and as such, business cases have been developed which address some of the recommendations made by Audit. These were submitted to Cabinet and the recommendations in the accompanying report were agreed by the Leader of the Council on 21 April 2020.

The internal audit report on Better Care Fund (BCF) (March 2018) found insufficient information available to undertake testing as to whether BCF, and Improved Better Care Fund iBCF, monies have been spent in line with approved Plans. A follow up review report (November 2019) was still unable to provide assurance that monies have been spent in line with approved plans. It found that monitoring systems were being set up and projects are ongoing but some individual programmes/projects had a number of issues resulting in a lack of transparency, accountability and governance. The audit opinion is that improvement is required.

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. Audit were unable to revise this opinion in their follow up report in November 2019 as there has been little progress in establishing a methodology to ensure that documentation for future projects is retained appropriately. Officers are aware of the need for this and will be exploring options.

In 2018, the internal audit report on the compliance of Tor Bay Harbour Authority with the Port Marine Safety Code found that improvements were required and reported that there was a lack of compliance against the requirements of the Code. However the internal audit report on the Port Marine Safety Code (November 2019) subsequently found that Tor Bay Harbour Authority is currently compliant but there

remain concerns in relation to land-based Health and Safety (H&S), however these concerns are outside of the scope of the Code and are being investigated, managed and resolved through the Council's Health and Safety Team in conjunction with the Tor Bay Harbour Authority.

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 as it did in the second follow up report in November 2019. Progress has been limited. In some cases, this is due to changes in operational priorities, the inability to make changes to existing lease agreements, and general ongoing capacity issues. The risk therefore remains that income from sports pitch leasing is not maximised and remain, in some cases, detrimental to the Council. In relation to some outstanding rental income, recovery is now being progressed.

A follow-up of the 2014-2015 audit of Section 106 Agreements was also undertaken and report published in November 2019. The initial audit opinion had been one of "Fundamental Weaknesses" this was revised to "Improvements Required" in the follow up of July 2018. A project to implement a s106 and CIL Monitoring system has made significant progress with live implementation planned for early 2020. This will provide means for effective monitoring, and minimise previously identified associated risks. A s106 and CIL Monitoring Officer has been appointed and regular meetings to monitor progress have been put in place. As the solution had yet to go live, Audit were unable to revise their opinion at the time of the November 2019 follow up.

The Audit review of Health and Safety found improvements were required as there had been a failure to set clear H&S direction for the organisation to follow, and a fundamental weakness to identify and manage H&S risks. However the team have now made significant progress and are having a positive impact on corporate H&S with limited resources. SLT are promoting a cultural shift in relation to H&S, and this includes a clear strategy and robust action plan to address the issues raised by an external review. This included additional resources for training, a new Corporate H&S Officer, and the procurement of an electronic H&S management system, all of which have been delivered.

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 action plan below 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

Councillor Robert Loxton
Chairman of Audit Committee

DRAFT

Action	Responsible Officer	Deadline
Review of lessons to be learned from Torbay Council's Covid19 response	Senior Leadership Team	31 March 2021
Continue to deliver the Children's Services Ofsted Improvement Plan	Director of Children's Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Children's Services Contracted / Commissioned Services	Director of Children's Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Better Care Fund	Director of Adult Services	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Brixham Express Ferry	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on the Port Marine Safety Code	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Sports Pitch Leases	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Section 106 Agreements	Director of Place	31 March 2021
Deliver the Action Plan in response to the Internal Audit report on Corporate Health and Safety	Senior Leadership Team	31 March 2021
Develop the Community and Corporate Plan Delivery Plans	Senior Leadership Team	31 March 2021
Implement and monitor the Performance and Risk Framework	Senior Leadership Team	31 March 2021

Internal Audit

Annual Audit Report 2019-20

Torbay Council
Audit Committee

Page 27

May 2020



Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 3



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 2019/20 was presented and approved by the Audit Committee in March 2019. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2019/20 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:

- 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 2019/20 and our experience from previous years, the Head of Internal Audit's Opinion is one of "Substantial Assurance" on the adequacy and effectiveness of much of the Authority's internal control framework. The exception to this is the Children's Directorate where we are only able to provide 'Limited Assurance' at this time however the Directorate is showing a positive direction of travel and is currently driving significant change through a service programme, including a complex migration to a new IT system.

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 2019/20 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 2019/20.

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.

The summary Assurance Opinions chart on page 3 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 economical, effective and efficient use of resources, compliance with established policy, procedure, law and regulation; and safeguard the Council's assets and interests from losses of all kinds. Core financial and administrative systems were reviewed by Internal Audit.

The Council's overall internal control framework is considered to have operated effectively during the year. Where internal audit work has highlighted instances of non or part compliance, none are understood to have had a material impact on the Authority's affairs. However, the opinion provided must be considered in light of the current and (at time of writing) ongoing coronavirus pandemic, and the impact of this on the Council. Our opinion is based on internal audit work undertaken during 2019/20, a majority of which took place prior to Covid-19 and the resulting emergency measures being implemented.

Covid-19 measures have resulted in a significant level of challenge to the Council and put pressure on the expected control environment; the need for prompt and urgent action by officers has required changes to some procedures and control arrangements. The level of impact this had in 2019/20, and continues to have in 2020/21, is changing as the situation develops. In respect of this annual report it has not been possible to fully quantify the additional risk that may have arisen from such emergency and short-term measures or fully determine the overall impact on the framework of governance, risk management and control.

Risk Management

Strategic Risk Management remains in place, integrated with performance monitoring at Senior Level. We have identified prevention initiatives in place and recommended a more integrated approach. We have been engaged in processes to support the inclusion of significant Council programmes and projects. Work to integrate this at operational level remains ongoing, and we consider continued active risk management to be critical in light of the current crisis.

Governance Arrangements

Governance has been reviewed within Transformation programmes and projects; various System Implementations; Health & Safety; and Information Governance and Data Quality, where opportunities were found for improvement, 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 SLT and Audit Committee. 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
Early Years (Prevention)			Museums	Material Systems -
Use of Agency			TDA ISO9001	Asset Register; Treasury Management; Income Collection; FIMS system Admin; IBS System Admin; GL and Bank Reconciliation; Payroll; Benefits; Creditors and POP
SEN/Higher Needs	Community Engagement (Prevention)		Spatial Planning - Development and Planning	
Contracted Services / Commissioned Services		Health Protection and Infection Control	Parking Services	Material Systems - Debtors & Corporate Debt; Council Tax and MNDR
Legal Care Proceedings		Public Health / NHS Links	Harbours (Income)	ICT Investment in the Service
Permanency Planning			Commissioning and Performance Monitoring by the Council of TDA	ICT IG and Data Quality
Early Help Strategy			TOAD Replacement (Asset & Facilities Management Project)	Housing
Special Guardianship Order				Community Protection (Prevention)
Transition - Children's to Adults			Port Marine Safety Code	Health & Safety
Disability Services				Transformation
Children's Services Medium Term Financial Strategy - Improvement Plan	Care Act - Better Care Act / Improved Better Care Action / Section 256		Grant Certification	Benefits - testing of earned income
Adoption				Benefits subsidy claim 40+
Grant Certification				Benefits subsidy claim - discovery & Initial 40+
				GDPR - Project and IAR
				Information Security Group

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 seek to obtain feedback from those audited during the year to ensure we achieve this.

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

- the development of future years audit plans to cover new and emerging risk.
- Our Council wide prevention audit activity is intended to support the Council in their existing efforts to develop prevention and reduce service costs.

Adult Services

- inclusion again of the 'Care Act – Better Care Fund / Section 256 monies' audit in the planned work to provide management with the required assurance;
- liaison support in relation to the working relationship between the Council and Audit South West;
- support to Audit South West in completion of their IT Audit Plan
- Council wide prevention audit intended to support the Council's existing efforts to develop prevention and reduce service costs.

Children's Services

- engagement in relation to the Liquid Logic implementation;
- a high-level review of cross-agency working arrangements with Adult Care Services to ensure adequate support infrastructures are in place for transitioning young care leavers with disabilities;
- assistance in maintaining impetus in management action plans to address identified risks through the annual follow up process;
- review of procurement and prevention arrangements and activities which may assist with budget pressures.

Corporate Services

- ongoing engagement in various Transformation programmes and projects, including FIMS Projects, Children's Services system implementation (excluding procurement stage); engagement in Council Redesign; TOR2 and Investment and Regeneration. We also continue to provide relevant information and practices from Local Government articles and guidance;
- additional support in relation to the external audit requirement for benefit subsidy;
- support to the ongoing GDPR project, including development of the Council's Information Asset Register (IAR);
- continued advice, guidance and challenge to the Information Security Group.
- Support to the Council's Data Protection Officer in the provision of FOI data; and input to the annual Data Security and Protection Toolkit (DSPT);
- Data Quality/IG audit that also supports the Council's DSPT submission;
- Review of prevention activity across the Council, intended to support existing efforts to develop prevention, maximise integration, improve efficiency and reduce service costs.

Place

- additional request for a follow up review of Tor Bay Harbour Authority Port Marine Safety Code Compliance;
- additional request to provide a review of ISO9001 procedures at the TDA;
- a review of the governance structure in place at the Council, to ensure it facilitates robust and independent planning decisions;
- provision of grant certifications;
- project assurance support to the ongoing TOR2/SWISCO project;
- review of the Asset and FM system replacement project.

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

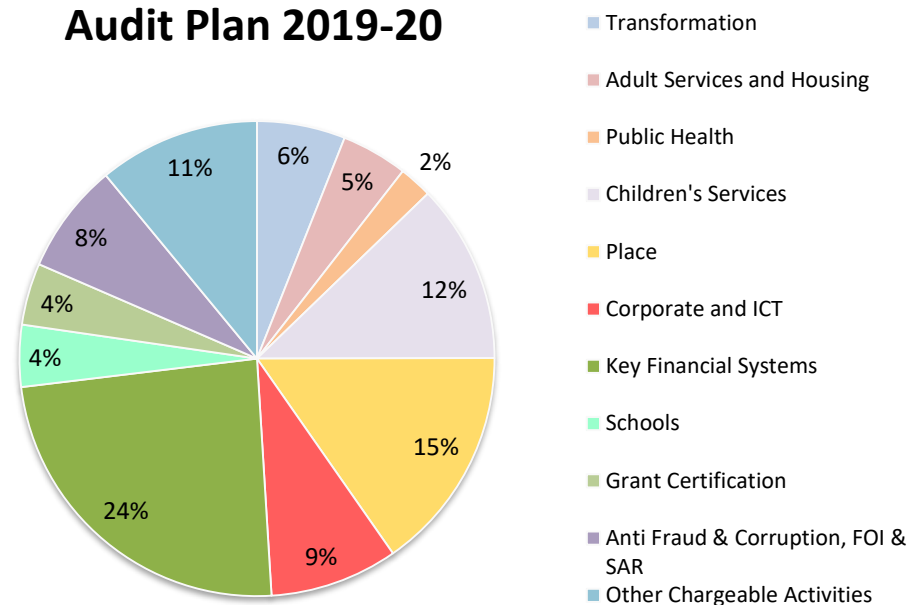
The pie charts right show the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2019/20, 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.

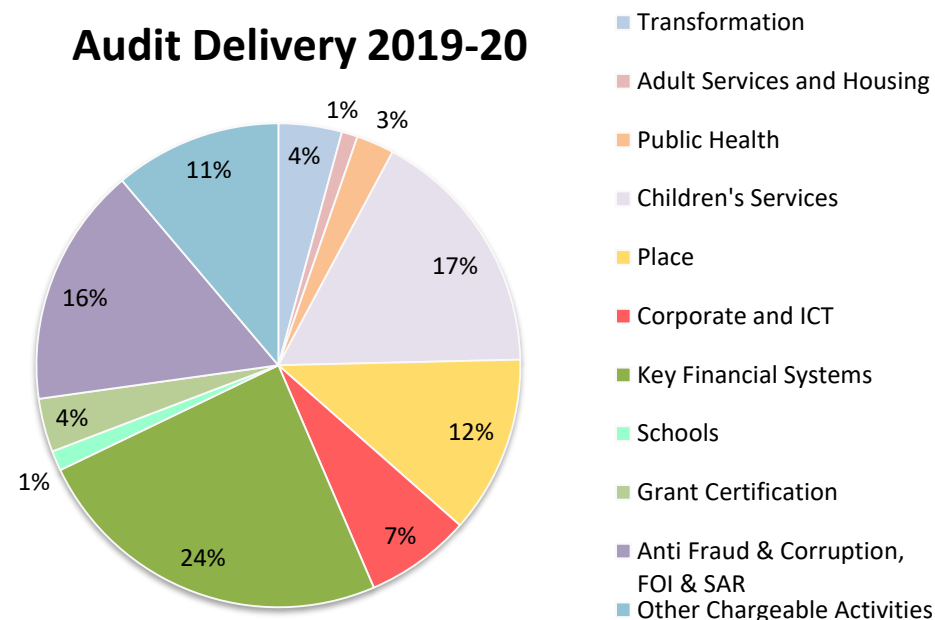
Appendix 6 shows the performance indicators for audit delivery in 2019/20 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans, we make an educated assessment of the number of days that 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 2019-20



Audit Delivery 2019-20



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 and Twitter feed.

Irregularities – During the 2019/20-year, Internal Audit have carried out, or assisted in fifteen irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following: -

Issue	19/20 Number	18/19 Number
Poor Procedures	4	2
Employee / Member Conduct	9	9
Tenders & Contracts	1	0
Financial Irregularities	1	3
IT Misuse	0	2
Theft	0	1
Misappropriation of Income	0	0
Total	15	17

Summary details as follows: -

The irregularities have included; reviewing officers processes operated following allegations of poor practices; reviewing officer conduct following allegations; investigation of employment and cultural practices following allegations; irregular administrative and financial practices, and minor theft.

Freedom of Information and Subject Access Requests: -

We were asked to assist with six requests under Freedom of Information, Data Protection requirements, and an Unacceptable Behaviour report.

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
Transformation			
Transformation Programme - project 'trusted advisor' role (ANA – Critical) Risk / ANA - Critical Page 34	Added Value Status: Draft <i>Draft Report issued 14/5/2020 – awaiting client response</i>	<p>As requested, we undertake a dual role in both Audit assurance and support to operational delivery in line with programme and project timescales.</p> <p>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"> Children's Services ICT – we continue to provide a Project Assurance role in relation to the Liquid Logic system implementation, highlighting assurance issues through to Project Board and Project Management. We also provide an ongoing advisory role as required. Commercialism Programme – attendance at and participation in Commercialism Board in an active Project assurance role, along with engagement within associated projects as required; TOR2/SWISCO – provision of Project Assurance in relation to the ongoing Project, transitioning TOR2 to SWISCO. Assurance issues are highlighted to Project Board and Project Management. We continue to engage with the Project Manager. FIMS projects – we have recently been engaged in a number of ongoing FIMS projects, again providing a project assurance role and advice where required; Council Re-design – we had minimal engagement in the early stages of this programme and are pleased to now be fully engaged with the Programme Manager, allowing us to formally undertake a Project Assurance role. <p>We undertake ongoing horizon scanning through provision of information/articles from Local Government and other relevant publications identifying projects and programmes that may be of interest to Torbay Council.</p>	N/A*


CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		It is pleasing to note that external project and programme support has been engaged by the Council to support progression of Transformation. However, we remain of the opinion that the Council review 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.	
Material Systems			
Asset Register Risk / ANA -Medium	High Standard Status: Final	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Treasury Management Risk / ANA - Low	High Standard Status: Final	Assurance was reported in this year's half yearly 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 yearly 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 yearly report; please refer to that report for details.	
IBS* System Administration Risk / ANA – High *International Business Systems	Good Standard Status: Final	Assurance was reported in this year's half yearly 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
Benefits – testing of earned income. Risk / ANA: N/A	Added Value Status: Complete	Assurance was reported in this year's half yearly report; please refer to that report for details.	N/A
Benefit Subsidy Claim – Additional 40+ testing. Risk / ANA: N/A	Added Value Status: Complete	No further issues were identified.	N/A
Benefit Subsidy Claim – Discovery and initial 40+ testing. Risk / ANA: N/A	Added Value Status: Complete	Assurance was reported in this year's half yearly report; please refer to that report for details.	N/A
General Ledger and Bank Reconciliation Risk / ANA: Medium	Good Standard Status: Final	<p>As has been the case in previous years, the control environment relating to financial performance monitoring, day to day amendments that are made to the ledger, and undertaking bank reconciliations, including access to the online banking system, is generally sound. We are also pleased to report most of the outstanding agreed recommendations have now been implemented.</p> <p>Other outstanding recommendations including the lack of segregation of duties across these functions remain; however, these issues are common within small teams, and management have accepted the associated risks.</p> <p>Additional, minor recommendations have been made in relation to updating procedural guidance and ensuring budget virements net to zero.</p>	
Payroll 2019-20 Risk / ANA: Critical	Good Standard Status: Final	<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 retention of evidence relating to checks on parameter updates.</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 Risk / ANA: Medium	Good Standard Status: Final	Issues continue to be identified in relation to processing claims from self-employed (SE) applicants, specifically in terms of the accuracy of calculating weekly earnings, and we have made a number of recommendations accordingly.	



CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>In addition, targets for the percentage of processes to be checked via the department's quality checking (QC) process are currently not being met, increasing the risk of inaccurate benefit payments being made.</p> <p>No issues were identified in terms of the payment process itself, and sample testing of a number of overpayments found they had all been accurately determined and effectively recorded.</p> <p>Testing on the Authority's 2018-19 subsidy claim undertaken earlier in the year did identify some additional issues and these were separately reported. We did not find any similar instances during this audit, however our sample size is more limited than for subsidy work, therefore we cannot provide assurance that similar issues are not present in the 2019-20 year.</p>	
Creditors and POP Risk / ANA: High Page 37	Good Standard Status: Final	<p>The control environment relating to the payment of invoices and other creditors, whether originating via the electronic ordering process, or via the manual payment route is generally robust. A number of related recommendations have been made; however, some are longstanding and have been previously accepted by management due to resource constraints.</p> <p>As in previous years, our main concern is in relation to the authorisation process for manual payments, whereby only payments over £5k are checked for appropriate authorisation before being processed. We understand a number of system-based solutions are available to mitigate this risk, and that at the time of the last audit, a business case was being written to obtain management agreement.</p> <p>Due to the impact of the Covid-19 outbreak on the level of resource available to support the audit, we have been unable to establish progress since then, or complete a number of other areas this year, specifically:</p> <ul style="list-style-type: none"> • Manual Certification Forms • Petty Cash Claims • Credit notes / Amendments. • Input of invoices <p>We are therefore unable to provide assurance in these areas and will examine them fully in the 20/21 audit. Where there have been previous recommendations linked to these areas, these have been re-reported.</p> <p>The overall opinion given is therefore based solely on the work that has been undertaken.</p>	



CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Debtors and Corporate Debt Risk / ANA: High	Improvements Required Status: Draft <i>Draft Report Issued 22/4/2020 Awaiting client response</i>	<p>Although this year's opinion remains 'Improvements Required', we are pleased to report that there has been again been progress in some areas, although not as much as was the case last year. Many of these previous improvements therefore remain in their initial stages, so we will need to undertake further audit work next year to ensure they have become embedded and are operating effectively.</p> <p>Issues specifically remain in relation to Corporate Debt, particularly non-adherence to the recovery timetable, and recovery suppression and adherence to special payment arrangements not being effectively monitored.</p> <p>In terms of debt recovery / monitoring across the Council as a whole, due to the impact of the Covid-19 outbreak on the level of resource available to support the audit, we have been unable to establish progress this year, so have had to re-report the majority of our recommendations, and again, these will be followed up next year.</p>	 *
Council Tax and National Non-Domestic Rates Risk / ANA: Medium	Improvements Required Status: Draft <i>Draft Report Issued 30/4/2020 Awaiting client response</i>	<p>As part of our cyclical programme of work, this year's audit focussed on walking through the system to ensure that controls previously in place remain and that no changes have been made to the overall control environment.</p> <p>Our audit opinion this year has gone from 'Good Standard' to 'Improvements Required'. This is mainly due to not being able to obtain evidence to support discussions held with key officers, but also due to a lack of information provided on the progress undertaken on recommendations made in the 2017-18 audit report. We have been advised that preparation for year-end activities, and somewhat later, the activities in response to the Covid-19 pandemic were factors in engagement with the audit this year but progress will be followed up next year.</p> <p>We are therefore unable to provide assurance in a number of areas, including:</p> <ul style="list-style-type: none"> • Obtaining supporting evidence from the customer before changes are made to NNDR accounts • Clearing exception reports • Ensuring all CT property amendments notified to the VOA have been actioned • Ensuring all time limited discounts are removed when appropriate • Undertaking sufficient QC activity <p>Other issues identified include control of transfers, a lack of independent review of refunds, the inappropriate use of stop codes, and inaccurate correction of accounts that were found to have had inappropriate discounts applied for a number of years.</p>	 *

CORPORATE SERVICES



Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
IT Audit			
ICT Investment in the Service Risk / ANA – High	Improvements Required Status: Final	<p>The ICT Strategy has, in our opinion, been well written. However, development of the strategy would have been improved had the Organisations Corporate Plan going forward been in place. The strategy would benefit from further detail in relation to delivery, along with implementation of some peripheral actions such as improved risk management and preventative network security monitoring.</p> <p>In our opinion, based upon a brief review of the level of planned ICT investment, there are areas where spending appears low in comparison with other similar sized organisations, examples being network spending, firewall spending, and the procurement for Fibre Channel switch, which although not investigated in detail appears to be at the low end for this type of equipment. The cost of replacement of end user devices looks reasonable, as does the proposed spend on telephony replacement, which appears consistent with organisations of a similar size. We recognise that there are organisational aspects that have impacted decisions relating to the level of spend and consequently the standard of hardware being purchased.</p> <p>The pace of planned recruitment and associated knowledge management is an area of concern, given the organisational requirements of ICT in both 'business as usual' and ongoing large-scale projects.</p>	
IG and Data Quality Risk / ANA – High	Improvements Required Status: Draft <i>Draft Report Issued 15/4/2020</i> <i>Awaiting client response</i>	<p>Policies exist to support Information Governance and Data Quality, however we found that these had not been subject to review for some time. As required by GDPR, an Information Asset Register has been progressed, but this remains incomplete with some key elements of the system yet to be explored or commenced.</p> <p>We are aware that there is intention to increase resource to the Information Governance Team to create greater capacity.</p> <p>In support of the annual Health Data Security and Protection Toolkit (DSPT) submission, we examined information governance and data quality in Children's Services (CS). We found that induction and training for CS staff did not incorporate information governance as is mandatory for other areas of the Council. At the time of the audit the CS Inventory for Moveable Property i.e. laptops, iPads and iPhones was still being developed. Due to high turnover and significant use of agency staff, we found that control around the leaver process required tightening, particularly in relation to device management and electronic access to data. Whilst access to electronic records is restricted by access rights and access to physical records also restricted, we noted that the index and directory for physical records required improvement and was being worked on at the time of the audit. We have noted in this and previous CS audits that issues exist with consistency and quality of data recording within the PARIS system; the current development of procedures and practices across CS creates an ideal opportunity to embed information governance and data quality into the business as usual of the CS directorate.</p>	

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	Due to the remit and terms of reference of the Information Security Group, the GDPR project has been integrated into this group in terms of ongoing management and monitoring. We were originally engaged by the Council in 2018-19 to support the development and completion of the Council's Information Asset Register. This work continues and we are engaged in this as required. We have also been requested to provide support to the review and update of the Council's Data Retention policy and guidelines; this is continuing this year.	N/A
Information Security / GDPR (trusted advisor) Risk / ANA – High	Added Value Status: Ongoing	As noted above, the GDPR Project has been moved within the remit of the Information Security Group. We continue to support the project 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
<p>The following audit is currently in progress:</p> <ul style="list-style-type: none"> ICT KFS Continuity and Disaster Recovery (ANA – High) 			
Other			
Housing Services (follow up) Risk / ANA - Medium	Improvements Required Status: Final	Report now finalised with recommendations agreed. Assurance was reported in last year's annual report; please refer to that report for details.	
Health & Safety Risk / ANA - Medium	Fundamental Weaknesses Status: Final	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Community Safety (Prevention) Risk / ANA – High, client request	Improvements Required Status: Draft <i>Draft Report Issued</i>	It is pleasing to note that there are prevention initiatives/processes either in place or in development within Community Safety. There is clear support for and commitment to prevention work, and recognition of the need to further develop these in order to provide the most effective and efficient service for Council clients, whilst maximising potential savings through reduced demand on direct Council services. There are opportunities to expand, develop and improve preventative measures / initiatives not just in Community Safety, but on a wider aspect across the Council and we have made recommendations to support this. Like any new process change, development of prevention	N/A*

CORPORATE SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
	5/5/2020 Awaiting client response	<p>programmes and initiatives can be resource intensive in terms of baselining, and identification of demand drivers through to implementation and operation. We understand that some preventative measures within Community Safety have had to be reduced previously due to reductions in budget and available resource. This, in our opinion is where there may be benefit in the Council adopting a cross cutting and integrated approach to prevention, as opposed to each service area developing their own measures.</p> <p>Our evaluation of prevention measures across the Council identified Public Health as being much further developed in terms of successful measures and attracting funding for prevention. Given the nature of a large number of demand drivers there is clearly a significant cross correlation with Public Health. We would therefore suggest that there is benefit in pursuing further links with other Council service areas, in particular Public Health, which may provide a more integrated approach to prevention across the Council. Prevention initiatives such as the review and redesign of discretionary financial support have clear links with the gateway project within the Council Redesign Transformation Programme as both are based around a single and unified front door.</p>	
<p>The following audit has been deferred until next year at the client's request:</p> <ul style="list-style-type: none"> Emergency Planning & Business Continuity (ANA – Medium) 			

PUBLIC HEALTH			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Health Protection and Infection Control	Good Standard	Assurance was reported in last year's annual report; please refer to that report for details.	
Risk / ANA – Medium / client request	Status: Final		
Public Health / NHS Links	High Standard	Effective links and joint working arrangements are in place between Public Health and the NHS and incorporate prevention activities. Public Health is highly effective in influencing practice and driving initiatives for prevention and taking a lead in jointly developed models such as Programme Development Executive Group (PDEG) and Sustainable Transformation Programme (STP) and these activities contribute to the 'core offer' agreed as part of the transfer of Public Health from the NHS.	
Risk / ANA – High / client request	Status: Final	<p>The newly implemented NHS gateway process which is managed through the Project Management Office provides standard and comprehensive management methodology to manage prevention based workstreams and projects. It enables the delivery of effective prevention working initiatives which are overseen by the PDEG. This is accompanied by the Devon STP Investment process which formalises the process for bidding for STP targeted funds and investing in workstreams, and requires robust business case review, investment checking and assessment via a prioritisation matrix.</p> <p>Local oversight and assessment of Torbay's needs and related prevention-based solutions is provided by the Public Health team in tandem with the NHS / STP work. There is some evidence of Public Health involvement in cross-directorate working to incorporate new ways of prevention-based working practices, but this is an area where further Public Health involvement would benefit both the Council and public.</p>	

ADULT SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Care Act – Better Care Fund / Section 256 monies, follow up Risk / ANA – Critical	Improvements Required Status: Final	<p>A financial monitoring spreadsheet for the 2019-20 BCF, including iBCF monies, has been set up and is currently being populated. This is likely to include the necessary information to be able to monitor spend, both at an overall and at a project level, but remains incomplete at this time.</p> <p>We have been unable to obtain any accurate financial information in relation to BCF funding for prior years, though we understand that many related projects are still ongoing.</p> <p>Detailed testing of a sample of individual programmes/projects within the iBCF scheme found a number of issues resulting in a lack of transparency, accountability and governance.</p> <p>We are still therefore unable to provide assurance that BCF, and iBCF, monies have been spent in line with approved plans, and consequently have re-reported our 2017-18 year recommendations and made further recommendations to improve practice and the associated control framework.</p>	
Community Engagement - Prevention Risk / ANA - High	Good Standard Status: Draft <i>Draft Report issued 5/5/2020 Awaiting client response</i>	<p>As Adult Services are a commissioning service their scope of and responsibility for Prevention work is somewhat different to the other services we have evaluated. Direct responsibility for delivery lies with the commissioned services. Adult Services monitor delivery of services, i.e. meeting performance measures, monitoring contract delivery for non ICO commissioning. Under the Care Act the Council has a statutory duty of prevention and we understand that all funds for these activities go to the Integrated Care Organisation (ICO) to perform the prevention function. We understand that currently there is no formal framework established by which the Council's Adult Services obtain assurance in relation to the delivery and effectiveness of prevention works undertaken and have made recommendations accordingly.</p> <p>There are established prevention processes/initiatives in place within the ICO commissioned services of Adults, and our work has also identified the same within Public Health, Corporate Services, and Children's. Work is ongoing in other Council areas to fully identify and understand demand drivers for services.</p> <p>We are aware of a number where these drivers are very closely linked to those within Adult Services. As such there may be efficiency savings through integrating prevention practices across the Council as a whole.</p> <p>Given that Public Health and Adult Services (via the ICO) have strongly established prevention initiatives in place, there may be merit in the formation of an 'umbrella' body across the Council, that would both drive and manage all prevention initiatives, supported by service areas. This would provide a more integrated method, aimed at a process rather than functional approach to</p>	N/A*






ADULT SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		prevention, resulting in greater efficiencies in prevention development and operation. We would also suggest integration with the ongoing Council Redesign Programme, given that the primary outcome for this is a transactional hub as a single point of entry for clients which would then route them to the appropriate service, be that to an external partner, third sector or through to an existing council service, aimed at reducing demand on Council services.	



The following audit has been deferred to 2020-21 at the client's request:

- Health Watch (ANA - Medium)


CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Children's Services Medium Term Financial Strategy (MTFS) / Improvement Plan Risk / ANA: High	Improvements Required Status: Final	Report and action plan now finalised. Assurance was reported in last year's annual report; please refer to that report for details.	
Disability Services Risk / ANA: Medium	Improvements Required Status: Final	Assurance was reported in this year's half year report, please refer to that report for details.	
Transition from Children's to Adults Risk / ANA: Medium	Improvements Required Status: Final	Assurance was reported in this year's half year report, please refer to that report for details.	
Special Guardianship Orders (SGOs) Risk / ANA: High	Improvements Required Status: Final	Assurance was reported in this year's half year report, please refer to that report for details.	
Early Help Strategy Risk / ANA: Medium	Improvements Required Status: Final	<p>The Early Help Strategy, although aligned with the 2018 Working Together guidance, provides only a limited overview of the intent for effective partnership working. Its focus is on Level 3 Targeted Support, with very little in relation to Level 2 Early Help.</p> <p>In addition, there are no identified measures which define 'successful implementation'.</p> <p>The Targeted Help Panel helps to ensure that inter-agency co-operation is promoted, children and families who would benefit from early help are identified, and the initial assessment process is robust; however, follow up monitoring could be improved.</p> <p>Again, there is little in the way of 'Working Together' support for Level 2 Early Help practitioners, which could result in families stepping up to level 3 unnecessarily.</p> <p>We have been unable to establish how the effectiveness of early help services is assessed, so cannot provide assurance that such services are successful in furthering the aims of the Early Help Strategy or in addressing locally assessed needs.</p>	


CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		Survey results for a number of Early Help partner organisations found mixed results, particularly in relation to coordination, effective management of support pathways, and locally specific services, which could be improved.	
Permanency Planning Risk / ANA: High Page 46	Improvements Required Status: Final	<p>Permanence options have been properly identified and set out in a comprehensive Permanence Planning Policy that we understand has since been incorporated into the Sufficiency Strategy and associated Financial Model. We found that local capacity for the majority of permanence options had been assessed in the original Policy. We note that plans to address the shortfall in capacity identified are set out in the Children's Services Financial Recovery Plan 2019-24 with implementation ongoing throughout 2019-20. We therefore cannot provide any assurance on their effectiveness at this time.</p> <p>There are comprehensive procedures in place in terms of ensuring the Policy is adhered to in practice, and sample testing of a number of cases found that, generally, the need for permanence had been properly considered.</p> <p>Issues were however found in terms of recording information on PARIS, for example, family meetings and involvement in preparing the care and permanency plan, and a lack of parallel / contingency planning was identified.</p> <p>In addition, although looked after children are required to have regular reviews, these were not always being done within the timescales identified. Management review was also sometimes lacking, with related sections on the updated care plans not being completed; and sign off not to be taking place within prescribed timescales.</p> <p>Recommendations have been made to ensure required processes are undertaken effectively going forward, ensuring that permanence remains a key priority for all looked after children. We note the development of the Sufficiency Strategy, associated Financial Model, Forward Planner and the monthly case review process along with service cultural change since completion of our audit work; these should address the issues identified and recommendations made. We will follow up our audit report in 2020/21 and provide an updated assurance opinion at that time.</p>	
Legal Care Proceedings (Review of operation of new process) Risk / ANA: Medium	Improvements Required Status: Final	<p>We recognise the current work being undertaken within the Children's Services Transformation Programme and associated projects, aimed at improving efficiency and ultimately outcomes for children.</p> <p>Our review identified some areas where practices were working well such as the tracker meetings, drafting of a flow diagram procedure, an authorisation and management process, and the co-location of Children's Services and Legal Services to aid communication and minimise risk of challenge or rejection of evidence by the Courts. However, there were some findings that we feel</p>	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>Contracted Services / Commissioned Services</p> <p>Risk / ANA: High</p>		<p>may adversely affect outcomes through delaying aspects of the legal care proceedings processes, such as delays in the frequency of supervision meetings, inconsistencies in the level of caseloads allocated between Team Managers, and delays in provision of information to Legal Services;</p> <p>As such our findings would support the conclusion made by Ofsted 'When risks to children increase, the public law outline (PLO) pre-proceedings process is not yet timely enough for some children'. In addition, the Ofsted comments along with our findings would also conclude that there remains a risk to the Council of loss of public confidence and reputational damage.</p> <p>We also identified some peripheral issues and some opportunities for considering alternative practices which may further support the current transformation programmes to improve outcomes within Children's Services. There is opportunity within the current Children's Services IT System implementation project for process efficiencies to be considered and implemented.</p> <p>Data security within Children's Services as a service area remains an ongoing risk, however there are opportunities to improve this through the IT system implementation project.</p>	
	Improvements Required Status: Final	<p>Though Children's Services do have some properly procured suppliers and supplier framework arrangements in place, a notable proportion of its engagement with suppliers and value of spend is not compliant with statutory and regulatory requirements, including failure to update the Contracts Register appropriately.</p> <p>There is a need for greater oversight of procurement at a strategic level and less devolvement of such decisions to the team level, with less reliance on spot purchasing by teams without adequate procurement knowledge, as is also the case more generally across Children's Services. Our work examined procurement activities across the year, including before recent changes involving the set-up of a Senior Leadership Team approved new Procurement & Contract Management Team in January 2020 and the transfer of the Children's Services Commissioning function to that team in February. We understand that these issues are now being addressed by the Procurement & Contract Team Manager who is currently temporarily overseeing procurement in Children's Services and reviewing practices including driving a culture change in relation to procurement, and this position and activity is reflected in our overall assurance opinion. These changes are actively supported by the newly appointed Director of Children's Services and through the recently approved Sufficiency Strategy.</p> <p>We identified control issues in relation to authorisation of spend outside of the framework and have made recommendations that must also be reflected in Liquid Logic which will replace the PARIS system. Similarly, we noted control weaknesses around payments whereby there were differences in recorded durations of service provision in PARIS and that actually paid for, suggesting either inaccuracies in recording in PARIS or errors in payments made. These issues</p>	



CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>could be addressed through properly recorded schedules of charges and intended payments in PARIS.</p> <p>Similarly, we noted a lack of effective monitoring of supplier service and reporting to senior management for spend outside of the framework arrangements.</p>	
Special Education Needs / Higher Needs Risk / ANA: Medium Page 48	Improvements Required Status: Draft <i>Draft Report Issued 30/04/2020 Awaiting client response</i>	<p>There are comprehensive procedures in place for SEN officers, and clear information on the Council's Local Offer available on the website, along with a number of accessibility variations.</p> <p>Generally, Education and Health Care Needs Assessments are being undertaken effectively, though we have made recommendations in a number of areas including ensuring:</p> <ul style="list-style-type: none"> • Post 16 provision is considered for all young people from year 9 • Provision of information on personal budgets is recorded • Children / young people and their parents have the required amount of time in which to comment on the draft EHCP <p>Significant issues were identified as part of the previous audit in terms of the timeliness of additional information being received from Health and Social Care; however, measure put in place since then are proving effective, with improvements having been made in this area.</p> <p>All EHCPs should be issued within 20 weeks of the initial assessment having been requested, and formally reviewed on an annual basis, however the results from our testing suggest this was not happening at the time our sample was selected. We note, however that delays in issuing the EHCPs were not significant. In terms of the annual review, this was acknowledged by the Team and a formal request for additional funds to increase capacity was made to the Council in September 2019, which was approved. Since then, a number of measures have been put in place which we understand have significantly improved the situation; however, we are unable to confirm the improved outcome at this time. This will be followed up as part of our annual follow up process in the second half of 2020/21.</p>	
Early Years – Prevention (linked to the Future Model – Improved Outcomes) Risk / ANA - High	Good Standard Status: Draft <i>Draft Report Issued 06/05/2020</i>	<p>Children's Services are engaged in a complex and significant scale of service review and change. A large number of the initiatives associated with the review relate to prevention work aimed at reducing demand on the service whilst ensuring the child's outcomes and needs remain the key priority.</p> <p>The Sufficiency Strategy has five strands based around different elements of the Children's Services provision. Within this, prevention processes / initiatives are being developed and progressed. However, in a number of cases, the prevention work is longer term and as such the effectiveness of the associated outcomes cannot yet be established.</p>	N/A*

CHILDREN'S SERVICES







Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<div>Page 49</div> <p>Use of Agency staff and control of Safeguarding employee costs (follow up audit)</p> <p>Risk/ANA - High</p>	Awaiting client response	<p>One of the Children's Services prevention initiatives is to review Multi Agency Service Hub (MASH) to ensure that what comes through is appropriate. We understand that this review has taken place and although it has seen an increase in 'traffic' through MASH, the intention is that the signposting should now ensure that support is routed correctly and should consequently see a reduction in further / later reengagement with the service. Given the nature of the Council's Redesign Programme, which is also focussed around a single front door / point of entry and specific routing to services for clients, there may be merit in Children's Services engaging with the Redesign Programme.</p> <p>Our wider work has also identified various prevention initiatives within Public Health, and Adults (delivered via Integrated Care Organisation (ICO)) and Corporate Services, where we found that significant work is ongoing to fully identify and understand demand drivers for services, with, in many cases the drivers being very closely linked. Given the links in drivers there may be efficiency savings through integrating prevention practices across the Council as a whole, potentially forming an 'umbrella body' using particularly the prevention expertise in Public Health and Adults to drive and influence all prevention initiatives, supported by the individual service areas. This would provide a more integrated approach to prevention with the aim of providing greater efficiencies in development and operation.</p>	
	<p>Good Standard</p> <p>Status: Draft</p> <p>Draft Report Issued 12/05/2020</p> <p>Awaiting client response</p>	<p>We are pleased to note that the majority of the recommendations made in last year's audit have now been implemented.</p> <p>Although there have not been significant improvements in terms of recording discussions during the budget setting or monitoring process, we acknowledge that the causes of budget overspends are well known throughout Finance and Children's Services as are the agreed actions currently being taken to address them, including plans to reduce the use of agency staff, so have not made further recommendations in this regard.</p> <p>A review of the latest budget figures found that the likely additional costs associated with the use of agency staff are now being taken into account.</p> <p>Additional sample testing of a number of agency workers found only minor issues this year, with ECANs being in place for all such workers, and no instances of employment continuing beyond the period covered by the most recent ECAN.</p>	N/A*
<p>Adoption (Client monitoring of the Regional Adoption Agency)</p> <p>Risk / ANA - Medium</p>	Improvements Required	<p>The RAA Partnership Agreement includes details of service delivery expectations, and annual performance monitoring arrangements, however Procurement were not involved in its production. In terms of performance monitoring, we were unable to obtain the targets agreed at the outset of the agreement from Torbay Council. They were, however, reviewed as part of the audit of ASW</p>	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Page 50	Status: Draft <i>Draft Report Issued 13/05/2020</i> <i>Awaiting client response</i>	undertaken on behalf of DCC, but it was found they were not being used to drive performance improvements at present. Clear governance arrangements are in place, and there is a robust protocol for the sharing of information between partners, however other aspects of data protection, for example the retention, storage and destruction of data, are less well covered, particularly in relation to the RAA itself. Monitoring compliance with the Partnership Agreement, as well as the ongoing effectiveness of the service, is undertaken via an Annual Service Review, however at the time of the audit, the RAA was not yet one year old, so we were unable to review this process in terms of its robustness. In terms of payments, the schedule of charges and related payment arrangements have been clearly set out within the Agreement, and testing found that these have been adhered to in practice. There is currently no clear guidance for officers in terms of the adoption process, though we understand that an instruction manual was being drafted at the time of the audit. The assessment process for potential adopters was found to be effective and timely, however issues in terms of obtaining information when sample testing a number of adoption cases meant that we are not able to provide assurance that all expected elements of the adoption process are being undertaken for all cases.	N/A*
	Grants x 6 Risk / ANA: N/A	Certified Status: Complete	Grants certified comprise six Troubled Families claims.
The following audits have been deferred / cancelled at the request of the client: <ul style="list-style-type: none"> • Fostering and Connected Carers (ANA - Medium) • Early Education / Nursery Funding (ANA - High) • Admissions and Place Planning (ANA - Low) 			
Schools Financial Value Standards (SFVS)	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2018/19 submitted to the Department for Education.	
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.	

CHILDREN'S SERVICES

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Maintained Schools Summary Data			Assurance Opinion
The key matters arising from the audits are: <ul style="list-style-type: none"> • Completion of a financial benchmarking exercise by schools using the DfE website. • The update of governor information on the DfE database 'Get information about schools'. 			Good Standard

PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Museum Services – Tor Abbey (follow up) Risk / ANA – Medium	Good Standard Status: Final	Report and action plan now finalised. Assurance was reported in last year's annual report; please refer to that report for details.	
TDA ISO9001	Good Standard Status: Final	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Spatial Planning – Development and Planning Risk / ANA – High	Good Standard Status: Final	Assurance was reported in this year's half yearly report; please refer to that report for details.	
Parking Services Risk / ANA – High	Improvements Required Status: Final	We followed up this audit area in our annual follow up exercise that was reported to committee in January. We changed our assurance opinion as a result of the follow up to Improvements Required. Assurance was reported in the annual follow up report 2019/20, please refer to that report for details.	
Port Marine Safety Code (follow up of 2018-29 report in May 2019) Risk / ANA - Client request	Non-Compliant Status: Final	Assurance was reported in this year's half yearly report; please refer to that report for details. However, please refer to the more recent work in the Autumn where we reported that Tor Bay Harbour Authority was now 'Compliant' with the Port Marine Safety Code.	
Port Marine Safety Code Risk / ANA: Client request	Compliant Status: Final	We have examined a restricted sample of records relating to the Tor Bay Harbour Authority and its compliance with the requirements of the Port Marine Safety Code and obtained such explanations and carried out such tests as we consider necessary. To the best of our knowledge and belief, having carried out appropriate checks and considered responses provided to us by relevant Harbour staff, in our opinion the Tor Bay Harbour Authority is currently compliant with the Port Marine Safety Code. There remain concerns in relation to land-based Health and Safety (H&S), however these are outside of the scope of the Code and we understand are being investigated, managed and resolved through the Council's Health and Safety Team in conjunction with the Tor Bay Harbour Authority.	

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PLACE			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>Additionally, we found that although performance measures are detailed in the Agreement, these are not all being actively monitored and the monitoring that is in place is not being adequately evidenced by the Council.</p> <p>We also examined governance in relation to the Agreement with TDA and other TDA procurement related matters and found a lack of information to support compliance with the governance expectations within the Agreement, and to support compliance with Financial Regulations and Procurement Standing Orders in the Council's related transactions with the TDA.</p>	
TOAD Replacement (Asset and Facilities Management) Project Risk / ANA – Medium Page 54	Improvements Required Status: Draft <i>Draft Report Issued 14/05/2020</i> <i>Awaiting client response</i>	<p>It is pleasing to see that the system is now in place and operational. The Project Manager has consistently provided us with information throughout our ongoing review within the Project, demonstrating an excellent level of knowledge.</p> <p>Of key concern is the over reliance on the Project Manager, who is both the Asset Registrar and single user with input access to the Property and Estates modules, and the System Administrator. This results in a lack of contingency for those roles/system functions and creates a lack of segregation of duty.</p> <p>There are some opportunities for improvement in relation to user management, in particular the need for a formal leaver process for users that don't utilise the single-sign-on functionality of the system; undertaking regular user reviews; and utilising system functionality to further strengthen password controls. In addition, we have made recommendations in relation to system amendments, primarily the need for stronger pre-input authorisation controls, and greater use of system provided functionality around input validation and mandatory fields.</p> <p>There remain some areas where we require further clarification in order to fully conclude this part of the project review, in particular data storage and backup; business continuity and disaster recovery; along with some general system functionality aspects.</p>	N/A*
Grants x 4 Risk / ANA: N/A	Certified Status: Complete	<p>Grants certified comprise; Local Transport Capital Block Funding, Pothole Funding, Local Growth Fund and Bus Subsidy grant.</p> <p>A number of minor issues were identified and reported to the relevant funding body.</p>	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> Events (ANA – Medium) 		The following audits have been deferred / cancelled at the request of the client: <ul style="list-style-type: none"> Beach Services (ANA – Low / client request) Asset Management Strategy / Plan (ANA - High) Highways, Street Scene, Lighting & Transport infrastructure (ANA - High) Spatial Planning - s106 and CIL (ANA- Medium) Housing (ANA - Critical) 	

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 2019. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment – through external assessment “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 2019.

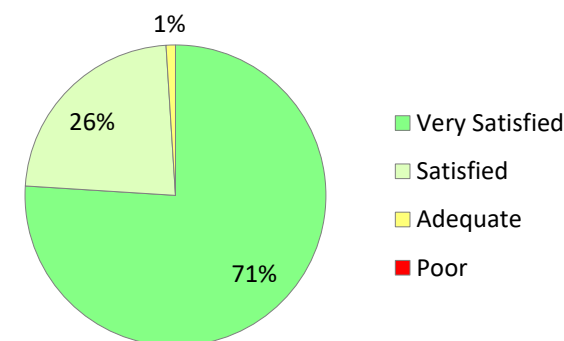
Performance Indicators

Overall, performance against the indicators has been very good with improvements made on the previous year (see Appendix 6). We continue to review where performance in all areas to ensure continuous improvement.

Customer Service Excellence

In June 2019, 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 99% 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.

Analysis of Customer Survey Results 2019-20



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.

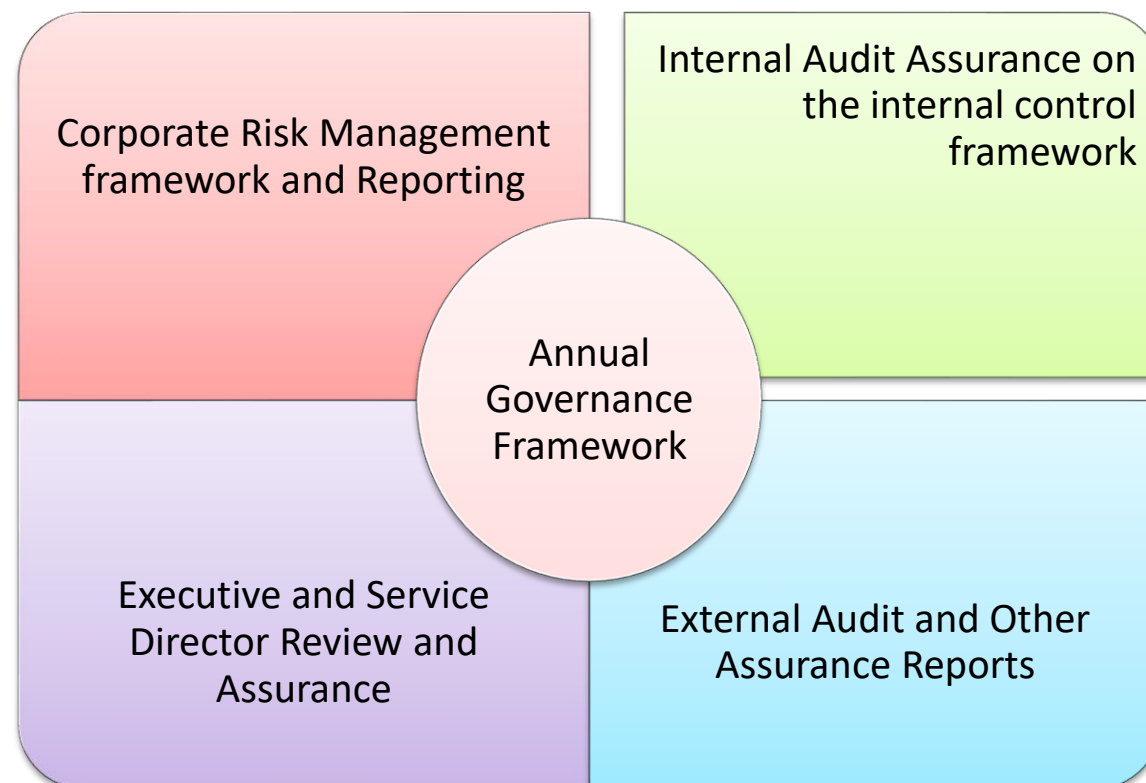
The Annual Governance Statement provides assurance that

- 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 has not been notable and any changes are shown in Appendix 1. 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:

all audits completed during 2019/20, including those audits carried forward from 2018/19;

any follow up action taken in respect of audits from previous periods;

any significant recommendations not accepted by management and the consequent risks;

the quality of internal audit's performance;

the proportion of the Council's audit need that has been covered to date;

the extent to which resource constraints may limit this ability to meet the full audit needs of the Council;

any limitations that may have been placed on the scope of internal audit.

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:

Local Performance Indicator (LPI)	2017/18	2017/18	2018/19	2018/19	2019/19	2019/20
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	87%	93%	91%	93%	97%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	96%	95%	94%	95%	104%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	71%	65%	66%	65%	67%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	97%	90%	99%
Draft Reports produced within target number of days (currently 15 days)	90%	91%	90%	81%	90%	83%
Final reports produced within target number of days (currently 10 days)	90%	97%	90%	100%	90%	99%
Average level of sickness absence (DAP as a whole)	2%	4%	2%	3%	2%	3% *
Percentage of staff turnover (DAP as a whole)	5%	11%	5%	4%	5%	4%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

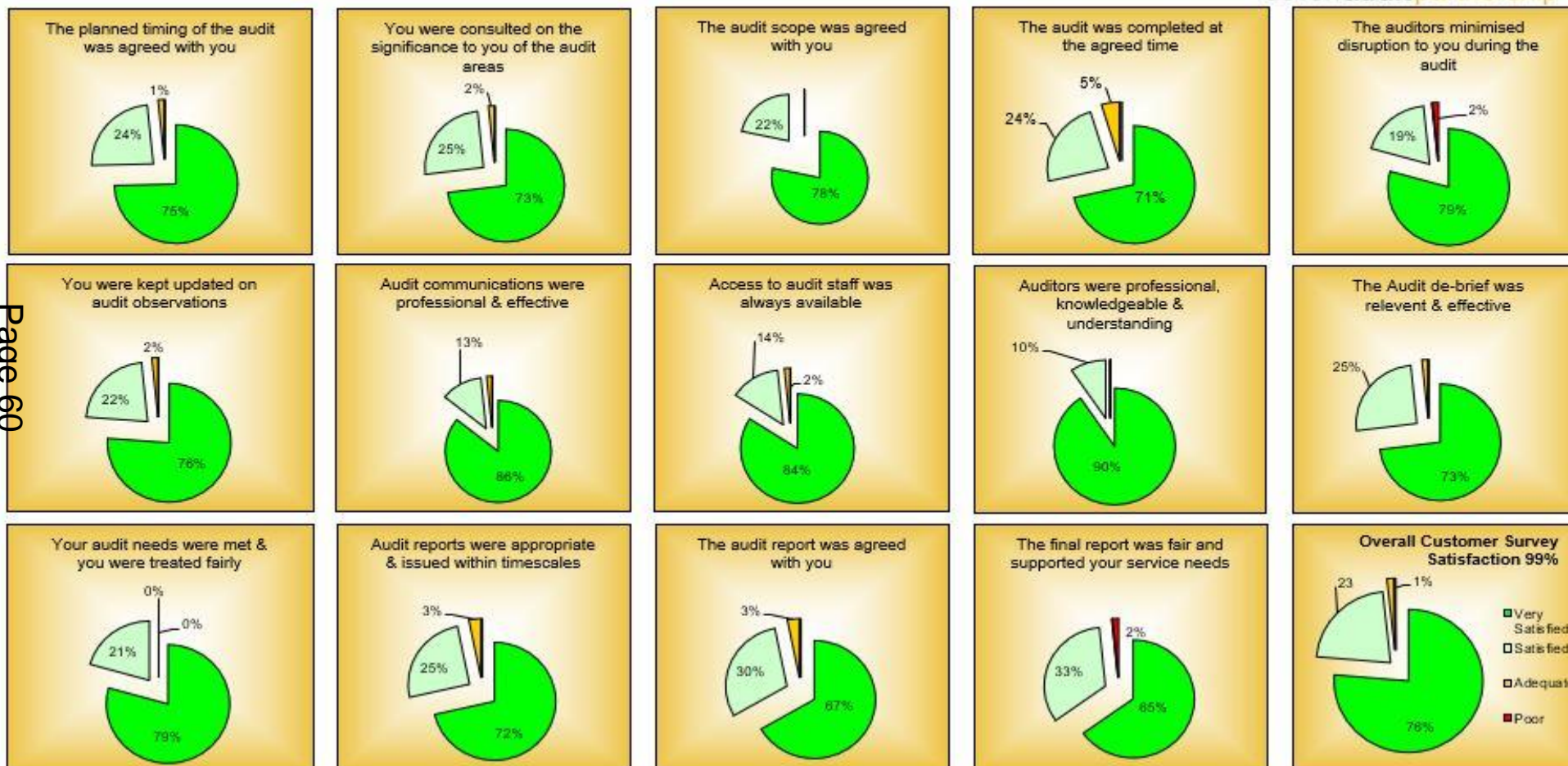
* 69.5%

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

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2019 - March 2020

The charts below show a summary of 63 responses received



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Devon Audit Partnership	Confidentiality and Disclosure Clause
<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 robert.hutchins@devonaudit.gov.uk.</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: Chief Finance Officer

Date: Intended decision date 28th May 2020

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2019/20

Is the decision a key decision? No

When does the decision need to be implemented?

Cabinet Member Contact Details: Councillor Darren Cowell, Darren.Cowell@torbay.gov.uk

Supporting Officer Contact Details: Pete Truman, Principal Accountant,
pete.truman@torbay.gov.uk

1. Purpose and Introduction

- 1.1 The purpose of this report is to provide members with an annual report on the treasury management activities undertaken during the year 2019/20, which is compared to the [2019/20 Treasury Management Strategy](#).

In February 2019 the Council approved the 2019/20 Treasury Management Strategy, followed by the Mid-Year Review in October 2019. This report concludes the treasury management reporting for 2019/20.

2. Proposed Decision

- 2.1 That the Treasury Management decisions made during 2019/20, as detailed in the submitted report be noted; and
- 2.2 That the performance against the approved Prudential and Treasury Indicators as set out in Appendix 1 to this report be noted.

3. Reason for Decision

- 3.1 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 2019/20.
- 3.2 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).

Supporting Information

4. Position

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 2019/20 the minimum reporting requirements were that full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 7th February 2019)
- A mid-year review report (Council 24th October 2019)
- 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.

4.5 Treasury Management strategies were planned and implemented in conjunction with the Council’s appointed advisors for the year, Link Asset Services although the Council officers were the final arbiters of the recommended approach. At the beginning of 2020 Officers undertook a tender exercise to appoint a treasury management advisor for the next contract period from 1st May 2020. The successful applicants were Arlingclose Ltd.

4.7 This report covers:

- Treasury Position at year end;
- Borrowing strategy and control of interest rate risk;
- Borrowing Outturn for 2019/20;
- Investment Outturn for 2019/20;
- Revenue Budget Performance;
- Reporting Arrangements and Management Evaluation
- Non-Treasury Management Investments

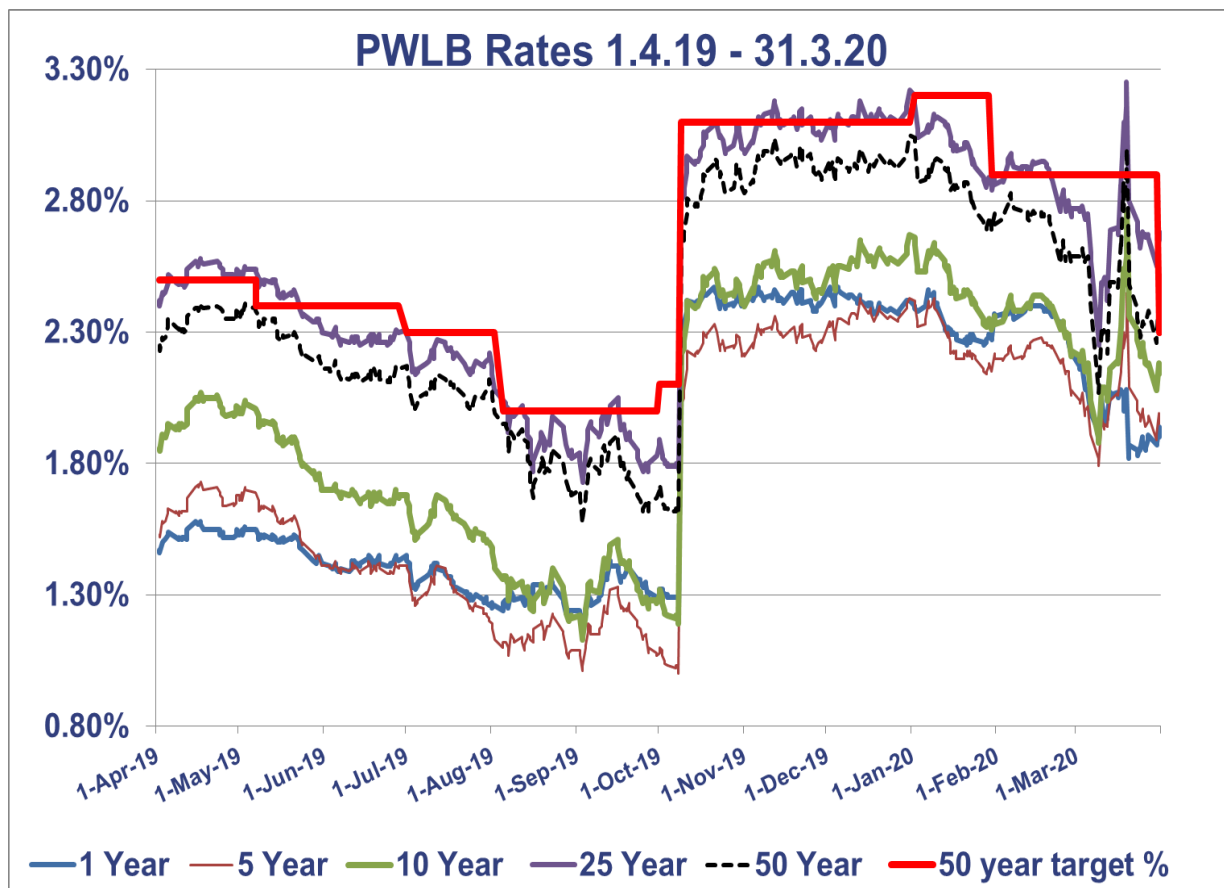
5. Overall Treasury Position as at 31 March 2020

5.1 At the beginning and the end of 2019/20 the Council’s treasury position was as follows:

TABLE 1	31 March 2019 Principal	Rate/ Return	Average Life yrs	31 March 2020 Principal	Rate/ Return	Average Life yrs
Borrowing	£302.9m	3.29%	29.5 years	£395.2 m	3.00%	29.5 years
Other long term liabilities	£18.2m	5.14%	16.9 years	£17.5m	5.14%	15.9 years
Total debt	£321.1m	3.39%	28.9 years	£412.7m	3.09%	28.2 years
Capital Financing Requirement	£320.7m			£413.4m		
(Under)/over borrowing	£0.4m			£(0.7)m		
Total investments	£58.1m	0.83%		£66.2m	1.16%	
Net debt	£263.0m	3.16%		£346.5m	2.97%	

6 Borrowing strategy and control of interest rate risk

- 6.1 During 2019/20, 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 2019/20 and the two subsequent financial years. The actual path of borrowing rates, during the year is illustrated in the table below



- 6.5 A number of new loans were taken during the first half of 2019/20 taking advantage of the continuous fall in yields. The context for this fall was heightened expectations that the US could have been heading for a recession in 2020, and a general background of a downturn in world economic growth, especially due to fears around the impact of the trade war between the US and China, together with inflation generally at low levels in most countries and expected to remain subdued.
- 6.6 However, on 9th October 2019 HM Treasury, concerned about the overall level of local authority debt, imposed an increase in the margin over gilt yields for PWLB rates by 100 basis points (to 180 basis points) without any prior warning; this added an immediate, additional 1% margin to all PWLB rates. PWLB borrowing remains available but this new margin of 180bp above gilt yields made the rates relatively expensive.
- 6.6 Following this announcement the Chief Finance Officer restricted PWLB activity pending evaluation of the new levels against alternative funding sources. New PWLB borrowing was limited to 50% of imminent Investment Fund acquisitions. Treasury officers met with a selection of external funding providers to pave the way for potential future facilities as an alternative to PWLB.
- 6.7 Two further tranches of PWLB borrowing were taken in March to capitalise on market fears surrounding Covid-19 bringing borrowing costs back down to levels seen earlier in the year prior to the PWLB hike and to affordability of the Capital Plan over the longer term.
- 6.8 HM Treasury subsequently announced that there would be a consultation with local authorities on possibly further amending the margin levels over gilts; this ends on 4 June 2020. The proposals include the potential for cheaper PWLB rates for some borrowing

but it is clear that the Treasury intends to put a stop to local authorities borrowing money from the PWLB to purchase commercial property i.e. debt for yield.

- 6.9 With the potential for PWLB rates to become cheaper dialogue with alternative providers has not been followed and in the short term the Chief Finance Officer will implement the primary strategy of internally borrowing against the Council's own resources
- 6.10 The level of cash investments was higher than anticipated due to slippage of £10m in the Capital Plan, a number of government grants received but not spent including the £5m COVID funding.

7. Borrowing Outturn 2019/20

- 7.1 Loans were drawn to fund unfinanced capital expenditure and maturing debt (worth £0.7million) and are summarised below:

Lender	No. of Loans	Principal	Type	Average Interest Rate	Average Maturity
PWLB	19	£93m	Fixed interest rate	2.05%	32.2 years

- 7.2 As a result of the new loans the borrowing portfolio (excluding other long term liabilities) has increased to £395.2 million and the average rate of interest paid across all loans in 2019/20 was 3.13%. The average rate of the borrowing portfolio at 31st March was 3.00%.
- 7.3 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 2019/20

- 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 7th February 2019. 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 periods of one and two years 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 in 2019/20. 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
Internally Managed	£63.7M	0.88%	0.88%	0.53%
CCLA Property Fund	£5.0M	4.78%	4.16%	
Combined	£68.7M	1.16%	1.12%	0.53%

- 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 £432,000 (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 2019/20	Actual 2019/20	Variation
	£M	£M	£M
Investment Income	(0.7)	(1.3)	(0.6)
Interest Paid on Borrowing	10.2	10.8	0.6
Net Position (Interest)	9.5	9.5	0.0
Minimum Revenue Provision (MRP)	5.0	4.6	(0.4)

MRP re: PFI	0.7	0.7	0
Net Position (Other)	5.7	5.3	(0.4)
Net Position Overall	15.2	14.8	(0.4)

- 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 2019/20 were as follows:
- Monthly monitoring report to the Leader, Cabinet Member for Finance, Chairman of Audit Committee and Head of Finance.
 - 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 (NTI)

- 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.
- 11.2 The [Council's Capital Strategy 2020/21](#) also includes references to Non-Treasury Management Investments, as this expenditure is classified as capital. The risk associated with investment properties and the Council's strategy in mitigating these risks are outlined and described in the Council's [Investment and Regeneration Fund Strategy](#) last update approved by Council in July 2019.
- 11.3 The Investment Strategy will need to be updated to ensure the Council's compliance with the March PWLB consultation and the CIPFA Statement on 'Debt for Yield' purchases.

12 COVID 2019 Implications

- 12.1 The COVID 2019 pandemic started to impact on the UK during March 2020 with its longer term impact still unknown. This will have a number of impacts on Treasury Management and NTI including:
- Bank base rate reduced to 0.1% impacting on interest returns

- In the longer term value of investment property could reduce, however not as at 31st March due to material valuation uncertainty. Any valuation change would be unrealised as asset to be held for long term
- Potential reduction in counterparties and greater use of higher rated counterparties
- CCLA property fund reduced in value as at 31/3/20, however an unrealised loss as asset to be held for long term
- No other Treasury Investments impacted as all at fixed rates
- Greater scrutiny of potential changes in cash flow from both reduced income and changes in the timing of government grants

Appendices

Appendix 1: Prudential and Treasury Indicators 2019/20

Appendix 2: Counterparties with which funds have been deposited in 2019/20

Appendix 3: Non-Treasury Management Investments

Additional Information

Treasury Management Strategy 2019/20

Treasury Management Mid-Year Review 2019/20

Appendix 1

Prudential and Treasury Indicators 2019/20

Capital Expenditure and Financing 2019/20

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.

	2018/19 Actual £m	2019/20 Revised Budget £m	2019/20 Actual £m
Total capital expenditure	66	125	115

The Council's Overall Borrowing Need

The Council's underlying need to borrow to finance capital expenditure is termed the Capital Financing Requirement (CFR).

Gross borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term and only for a capital purpose, the Council should ensure that its gross external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year (2019/20) plus the estimates of any additional capital financing requirement for the current (2020/21) and next two financial years. This essentially means that the Council is not borrowing to support revenue expenditure. This indicator allowed the Council some flexibility to borrow in advance of its immediate capital needs in 2019/20. The table below highlights the Council's gross borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR (£m)	31 March 2019 Actual	31 March 2020 Actual
Total CFR	320.7	413.4

CFR (£m)	31 March 2019 Actual	31 March 2020 Actual
Gross Borrowing Position	321.1	412.7
(Under)/over funding of CFR	0.4	(0.7)

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 2019/20 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.

	2019/20
Authorised limit	£520m
Maximum gross borrowing position	£414.1m
Operational boundary	£470m
Average gross borrowing position ;	£347.1m
Financing costs as a proportion of net revenue stream	13%
<i>Financing costs as a proportion of net revenue stream including Gross Investment Property income</i>	4%

Treasury Indicators:

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.

	31 March 2020 Actual	31 March 2020 Proportion	2019/20 Original Limits Lower-Upper
Under 12 months	£3.6M	1%	0% - 30%
12 months to 2 years	£2.6M	1%	0% - 30%
2 years to 5 years	£14.9M	4%	0% - 30%
5 years to 10 years	£25.8M	7%	0% - 40%
10 years to 20 years	£66.9M	17%	0% - 50%
20 years to 30 years	£69.2M	10%	0% - 60%
30 years to 40 years	£100.1M	33%	0% - 50%
Over 40 years	£112.0M	28%	0% - 50%

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

	2019/20 Limit	2019/20 Actual
Investments of 1 year and over	£20M	£5m

Appendix 2

Counterparties with which funds were deposited (April 2019 – March 2020)

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
Slough Borough Council
Northumbria Police and Crime Commissioner
Moray Council
Mid Suffolk District Council

Other Approved Institutions

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

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