



Tuesday, 17 June 2014

AUDIT COMMITTEE

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

Wednesday, 25 June 2014

commencing at **2.00 pm**

The meeting will be held in the Meadfoot Room, Town Hall, Castle Circus,
Torquay, TQ1 3DR

Members of the Committee

Councillor Addis

Councillor Parrott

Councillor Bent

Councillor Pountney

Councillor Brooksbank

Councillor Tyerman

Working for a healthy, prosperous and happy Bay

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

Lisa Antrobus, Town Hall, Castle Circus, Torquay, TQ1 3DR
01803 207064

Email: governance.support@torbay.gov.uk

www.torbay.gov.uk

AUDIT COMMITTEE AGENDA

1. Election of Chairman/woman

To elect a Chairman/woman for the 2013/2014 Municipal Year.

2. Apologies

To receive any apologies for absence, including notifications of any changes to the membership of the Committee.

3. Minutes

To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 19 March 2014.

(Pages 1 - 2)

4. Appointment of Vice-Chairman/woman

To appoint a Vice-Chairman/woman for the 2014/2015 Municipal Year.

5. Declarations of interests

- (a)** To receive declarations of non pecuniary interests in respect of items on this agenda

For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

- (b)** To receive declarations of disclosable pecuniary interests in respect of items on this agenda

For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(Please Note: If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)

6. Urgent Items

To consider any other items that the Chairman decides are urgent.

7. Audit Committee Terms of Reference

To note the Audit Committee's Terms of Reference as set out in the Council's Constitution.

(Pages 3 - 4)

- | | | |
|------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| 8. | Audit Committee Update
To note the update from Grant Thornton. | (Pages 5 - 21) |
| 9. | 2013/2014 Accounts Audit Plan
To consider a report on the above. | (To Follow) |
| 10. | Housing Benefit Subsidy Certification Work Plan for Torbay Council
To consider a report on the above. | (Pages 22 - 27) |
| 11. | 2014/2015 Audit Fee Letter
To consider a letter that advises Members of Audit fee's for 2014/15. | (Pages 28 - 33) |
| 12. | Protecting the Public Purse Fraud Briefing 2013
To consider a briefing paper prepared by the Audit Commission. | (Pages 34 - 46) |
| 13. | Update on Food Safety, Health and Welfare, Licensing and Trading Standards
To receive an update on the progress made by the Food Safety, Health and Welfare, Licensing and Trading Standards teams to address issues raised in the Internal Audit Report 2013/14. | (Verbal Report) |
| 14. | Annual Governance Statement 2013/14
To consider the Annual Governance Statement for 2013/14, that provides an opportunity for the organisation to review its processes, controls and objectives. | (Pages 47 - 61) |
| 15. | Treasury Management Outturn | (Pages 62 - 77) |
| 16. | Internal Audit Annual Report
To consider a report that reviews the work undertaken by Internal Audit during 2013/2014. | (Pages 78 - 112) |



Minutes of the Audit Committee

19 March 2014

-: Present :-

Councillor Tyerman (Chairman)

Councillors Addis, Bent, Brooksbank, Stocks and Pountney

28. Apologies

It was reported that, in accordance with the wishes of the Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillor Pountney instead of Councillor Stringer.

29. Minutes

The Minutes of the meeting of the Audit Committee held on 22 January 2014 were confirmed as a correct record and signed by the Chairman.

30. Audit Committee Update for Torbay Council

Members noted a report that provided an update on progress made by Grant Thornton in delivering their responsibilities as external auditors. The report also included summaries of emerging national issues and developments. Members paid particular attention to a publication titled '2016 tipping point? Challenging the current' and challenged whether indicators within service units could be a precursor to a financial 'tipping point'.

31. Internal Audit Plan 2014-15

Members considered a report that proposed the internal audit plan for 2014-15. Members were advised that the internal audit plan had been designed to be reactive and proactive to risks that may have been identified.

Members noted that Adult Social Care was audited by Audit South West and not Devon Audit Partnership. Members challenged how they as the Audit Committee received assurance on the controls in place when Audit South West reported to a different organisation. Members were advised that the Director Adult Social Services would receive written confirmation of Audit South West's opinion, however the Executive Head for Finance would try to obtain a copy of such assurance and any associated report for Members information.

Resolved:

That the Internal Audit Report 2014-15 be approved.

32. Internal Audit Charter

The Committee noted the report on the Internal Audit Charter and were reassured that the charter provided the Internal Audit Service with the power and authority it needed to perform the required duties.

33. Strategic Risk Management Quarter 3 2013/14

Members were advised that officers continued to monitor the strategic risks that have been identified with an online training manual for staff being progressed.

Members were still concerned at the lack of assurance that they received from the report and requested a meeting be arranged with the Group Manager for Business Services, the Head of Devon Audit Partnership, Councillor Tyerman and Councillor Stocks. It was hoped that the meeting would result in a reporting method that would enable Members to gain confidence that the strategic risks were being properly considered.

Chairman/woman

Agenda Item 7

Audit Committee:

Terms of Reference:

1. To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
2. To consider summaries of specific Internal Audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of Internal Audit Services.
4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the External Auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Audit Commission over the appointment of the Council's external auditor.
9. To commission work from Internal and External Audit within approved resources.

Regulatory Framework

10. To maintain a strategic overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (the primary responsibility for considering and ensuring that the constitution is fit for purpose lies with the Monitoring Officer and the Standards Committee in relation to the codes of conduct).
11. To review any issue referred to it by the Chief Operating Officer, a Director, the Monitoring officer, Section 151 Officer (Chief Finance Officer) or any Council body.

12. To monitor the effective development and operation of risk management and corporate governance in the Council.
13. To monitor council policies on 'Raising Concerns at Work' and the 'Anti-fraud and corruption strategy' and the Council's complaints process.
14. To oversee the production of the authority's Statement on Internal Control and to recommend its adoption.
15. To oversee the Council's arrangements for corporate governance and consider necessary actions to ensure compliance with best practice.
16. To review the Code of Corporate Governance.
17. To monitor the Council's compliance with its own and other published standards and controls.

Accounts

18. On behalf of the Council, to approve the annual statement of accounts.
19. To consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.



Audit Committee Update for Torbay Council

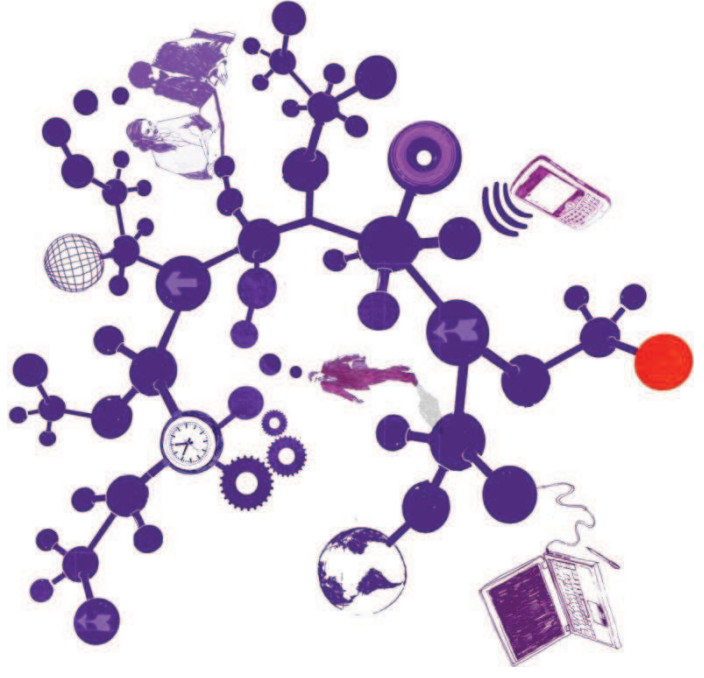
Year ended 31 March 2014
25 June 2014

Page 5

Alex Walling
Associate Director
T 0117 305 7804
E alex.j.walling@uk.gt.com

Mark Bartlett
Manager
T 0117 305 7896
E mark.bartlett@uk.gt.com

Sarah Martin
Executive
T 0117 305 7861
E sarah.j.martin@uk.gt.com



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

Contents

Section	Page
Introduction	4
Progress at 25 June 2014	5
Emerging issues and developments	
Accounting and audit issues	7
Local government guidance	11
Grant Thornton	15

Introduction

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

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

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

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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

Alex Walling Engagement Lead T 0117 305 7804 M 07880 456142 alex.j.walling@uk.gt.com
Mark Bartlett Audit Manager T 0117 305 7896 M 07880 456123 mark.bartlett@uk.gt.com

Progress at 25 June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	February/March 2014	Yes	The Audit Plan is included on the agenda of this meeting.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February/March 2014	Yes	The Interim accounts audit is complete and any findings from the interim audit are included in the Audit Plan.
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	June - August 2014	No	Our final accounts audit started on 16 June 2014.

Progress at 25 June 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness 	January to August 2014	No	Like many other public bodies, our initial risk assessment identified the financial resilience of the Council as the only risk. The Audit Plan sets out the key areas we will be covering as part of our VfM work.
<p>Grant claims and certification The only claim requiring certification under the Audit Commission arrangements will be the housing benefit subsidy for 2013/14.</p>	June – November 2014	Not yet due	The Certification work plan is included on the agenda.

Emerging issues and developments

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

Area for consideration:

Have Members referred to this guidance?

Emerging issues and developments

Accounting and audit issues

Top 9 issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top 9 issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?
7. Have you disclosed the accounting policy for schools? For those schools that are not recognised on the balance sheet, has information about school assets, income and expenditure been disclosed?

Emerging issues and developments

Accounting and audit issues

Top 9 issues for the 2013/14 closedown (continued)

8. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:
- the relationship between net assets available for benefits and the present value of promised retirement benefits
 - an accounting policy for measurement of assets held at amortised cost.
9. Have you agreed a detailed closedown plan with your auditors? Does this include:
- how to deal with known major issues?
 - a protocol for dealing with new issues as they arise?
 - a date for a post-implementation review?

Area for consideration:

Has your Executive Head of Finance addressed the closedown issues and assessed the potential impact for your financial statements?

Emerging issues and developments

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 98. The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Area for consideration:

Has your Executive Head of Finance reviewed the guidance and assessed the potential impact for your financial statements?

Emerging issues and developments

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Areas for consideration:

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Emerging issues and developments

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking.

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

Area for consideration:

Is the Council actively pursuing measures to prevent Blue Badge abuse, including prosecuting fraudsters?

Emerging issues and developments

Local government guidance

The Schools minister David Laws announced (2 May 2014) that the government will spend £2bn on a second phase of its Priority School Building Programme in the six years from 2015.

Under the Priority School Building Programme, which replaced the last government's Building Schools for the Future scheme, the government has announced its commitment to spending £18bn on school buildings over the course of this parliament, including £2.4bn targeted at the schools in worst condition. Overall, this funding is set to build around 300 new schools and provide improvements to nearly 600 others.

In announcing this targeted initiative was on course to improve 261 schools with buildings in the worst condition in England by the end of 2017 and that it would now be extended into a second phase, with a further £2bn allocation over the next spending review period to 2021 the minister stated:

"the original Priority School Building Programme worked on the basis of the condition of the whole school site. We will now refine this to look at targeting individual school buildings, as well as whole school rebuilds where this is appropriate, so that the department can focus much more tightly on addressing specific issues in the estate."

Area for consideration:

Has the Authority considered the implications of the Priority School Building Programme for its schools building and refurbishment programme?

Emerging issues and developments

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Area for consideration:

Has the Authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Emerging issues and developments

Grant Thornton

Local Government Governance Review

This report is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

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

Areas for consideration:

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Emerging issues and developments

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We are sponsoring the Centre for Public Scrutiny (CFPS) annual Scrutiny Camp Conference in London on 11 June
- We are also sponsoring The Municipal Journal's annual Growth Agenda conference on 4 June where we will be launching our Where Growth Happens report
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.
- We are holding workshops for Chairs and other members of Local Government Audit Committees. There are events in Bristol (11 July), Taunton (16 July) and Dorchester (23 July). The workshops draw on our publication "a guide to local authority accounts" and aim to:
 - explain the purpose and main features of the financial statements and notes;
 - assist Audit Committee members to understand and challenge the key issues of importance;
 - explain how auditors engage with Audit Committees throughout the ensure audit process;
 - help Audit Committees better understand the structure and principals of an external audit, and
 - enable members to network with members from other councils and share good practice.



© 2014 Grant Thornton UK LLP. All rights reserved.
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk



Housing Benefit Subsidy certification work plan for Torbay Council

Year ended 31 March 2014

June 2014

Page 22

Alex Walling
Associate Director
T 0117 305 7804
E alex.j.walling@uk.gt.com

Mark Bartlett
Manager
T 0117 305 7896
E mark.bartlett@uk.gt.com

Sarah Martin
Executive
T 0117 305 7861
E sarah.j.martin@uk.gt.com



Contents

Section **Page**

1. Our approach to Housing Benefit Subsidy certification work

3

Our approach to Housing Benefit Subsidy certification work

Introduction

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission. The only claim which requires certification at Torbay Council for 2013/14 is the Housing Benefit Subsidy claim.

The Department for Work and Pensions (DWP) requires external certification of the Housing Benefit Subsidy claim each year. The Audit Commission agrees certification arrangements with the DWP and issues a certification instruction. The arrangements include the deadline for submission of each claim by authorities (30/4/2014) and the deadline for certification by auditors (30/11/2014).

Role of all parties

The table below summarises the respective roles and responsibilities of the parties involved in the certification process.

Party	Role & responsibility
DWP	Sets conditions of subsidy and deadline for submission for pre-certified and certified claims
Audit Commission	Issues certification instruction ('BEN01') for auditor work
Council	Submits claim for certification to the Appointed Auditor within DWP submission deadlines
Appointed Auditor	Certifies claim in accordance with Audit Commission certification instruction and within certification deadline

The Council's role is set out in more detail below:

- the Executive Head of Finance is responsible for ensuring that supporting accounting records are sufficient to document the transactions for which claims are made. These records should be maintained in accordance with proper practices and kept up to date, including records of income and expenditure in relation to the Housing Benefit Subsidy claim
- the Council should ascertain the requirements of schemes at an early stage to allow those responsible for incurring eligible expenditure to assess whether it falls within the scheme rules and to advise those responsible for compiling claims and returns to confirm any entitlement
- the Council should ensure all deadlines for interim and final claims are met to avoid sanctions and penalties from grant paying bodies
- the DWP requires the Council's certificate to be given by an appropriate senior officer. This is typically the Executive Head of Finance or an officer authorised by written delegated powers
- the Council should monitor arrangements with any third parties involved in the certification process.

Claims history

The most significant claims and returns in 2012/13 were:

- housing and council tax benefits scheme
- national non-domestic rates return
- teachers' pension return

Due to changes in government funding, there are a number of schemes that either finished in 2012/13 or where funding is no longer ring-fenced. For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- council tax benefit (previously part of the housing and council tax benefits scheme)
- national non-domestic rates return
- teachers' pension return

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this states that the claim is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification
- without qualification but with agreed amendments incorporated by the Council or
- with a qualification letter (with or without agreed amendments incorporated by the Council).

Where a claim is qualified because the Council has not complied with the strict requirements set out in the DWP's terms and conditions, there is a risk that the DWP will retain funding claimed by the Council or claw back funding which has already been provided or has not been returned.

In addition, where the claim requires amendment or is qualified, this increases the time taken to undertake this work, which may impact on the certification fee.

Certification work fees

The Audit Commission sets an indicative fee for grant claim certification based on the 2011/12 actual certification fees for each council. Fees for schemes no longer requiring certification (such as the Teachers' Pensions return) have been removed. In addition the fees for the certification of housing benefit subsidy claims have been reduced by 12 per cent, to reflect the removal of council tax benefit from the scheme.

The indicative fee for the Council is £10,605. The fee is based on the following assumptions:

- there will be no change in the scope of our work due to the control environment in place during the year
- the Council provides adequate working papers to support each entry in the claim
- the Council's staff are available to deal with our queries in a timely manner and provide such explanations and supporting evidence necessary to support entries.

Where there is any significant variation from these assumptions, we will discuss a variation to the indicative scale fee with the Council and the Audit Commission.

Administration

When the claim is completed, a copy of the signed claim should be sent to Mark Bartlett at the following address:

Grant Thornton UK LLP
1st Floor, Unit 26-28
Basepoint
Yeoford Way
Marsh Barton Trading Estate
Exeter
EX2 8LB

- The original claim should be retained by the Council.

Managing the certification process – our role

- We intend to certify the Housing Benefit Subsidy claim in accordance with the deadlines set by the Audit Commission. If we receive the claim after the Council's submission deadline, we will endeavour to certify it within the Audit Commission deadline but, where this is not possible, within three months from receipt
- A copy of the certified claim will be sent to the relevant named contact when the certification process is complete, along with a copy of the qualification letter, where applicable
- Copies of the certification instruction can be provided on request
- We expect to complete the certification work by 30/11/2014 and will issue a grant certification report highlighting any issues that need to be brought to the Council's attention.



© 2014 Grant Thornton UK LLP. All rights reserved.
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk



Mr S Parrock
Chief Executive
Torbay Council
Town Hall
Castle Circus
Torquay
TQ1 3DR

Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

T +44 (0)117 305 7600

www.grant-thornton.co.uk

31 March 2014

Dear Steve

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for Torbay Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2014/15 has been set by the Audit Commission at £135,000 which is the same as the audit fee for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: <http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/>

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative grant certification fee has been set by the Audit Commission at £12,840.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	33,750
December 2014	33,750
March 2015	33,750
June 2015	33,750
Grant Certification	
December 2015	12,840
Total	147,840

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2014 – February 2015. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2015 alongside the work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	Dec 2014 to Feb 2015	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2015	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2015	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2015	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2015	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2015	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2015	Grant certification report	A report summarising the findings of our grant certification work on the housing benefit subsidy claim.

Our team

The key members of the audit team for 2014/15 are:

	Name	Phone Number	E-mail
Engagement Lead	Alex Walling	0117 305 7804	alex.j.walling@uk.gt.com
Engagement Manager	Mark Bartlett	0117 305 7896	Mark.bartlett@uk.gt.com
Audit Executive	Sarah Martin	0117 305 7861	Sarah.J.Martin@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact John Golding, our Public Sector Assurance regional lead partner (john.golding@uk.gt.com).

Yours sincerely



Alex Walling
Associate Director and Engagement Lead
For Grant Thornton UK LLP

cc Paul Looby

Protecting the Public Purse Fraud Briefing 2013 Torbay Council



Agenda

- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013 report* – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

Introduction

- Fraud costs local government in England over £2 billion per year (source: *National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud



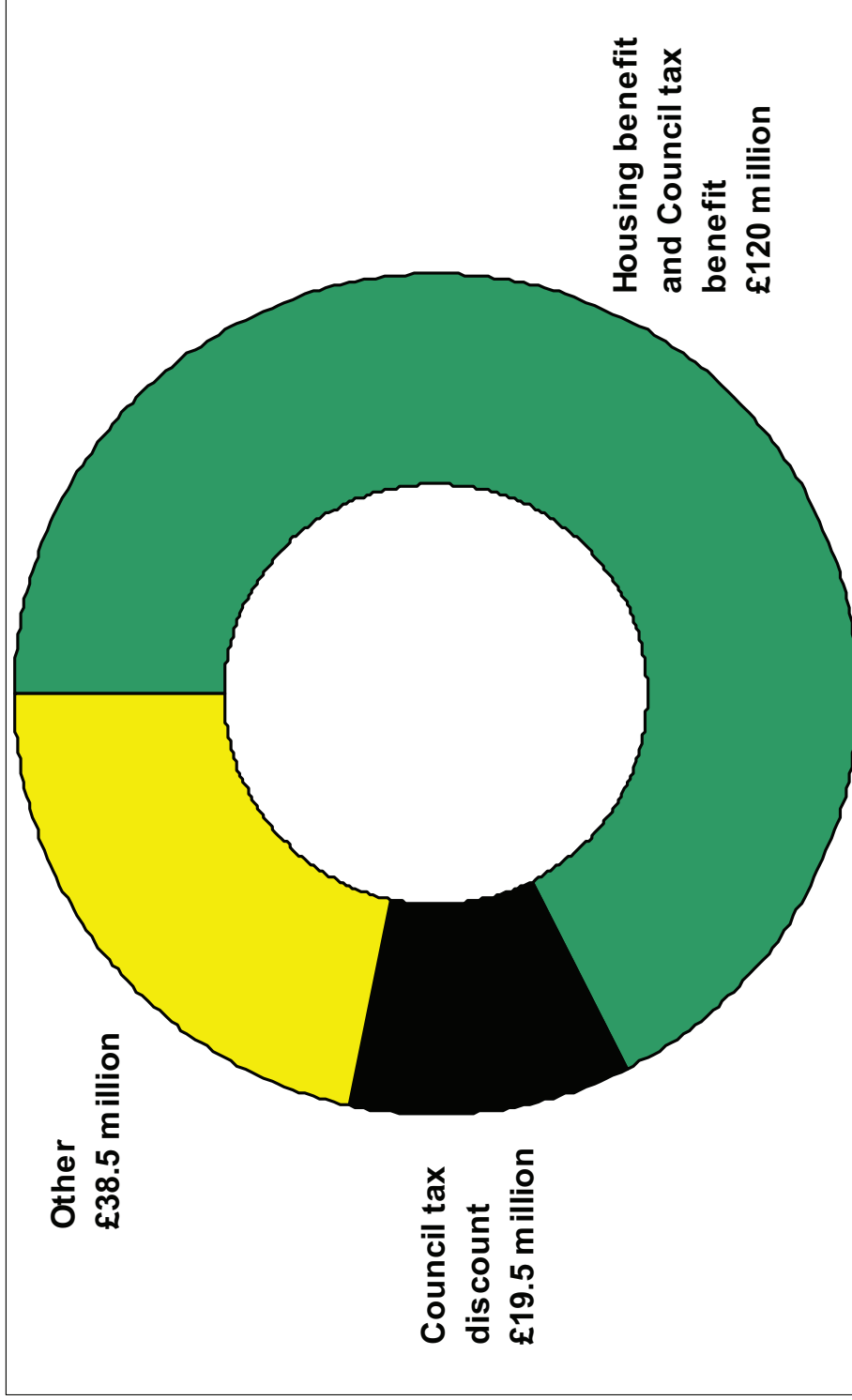
Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

Your council is compared with the unitary authorities of the south west and south east regions

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%

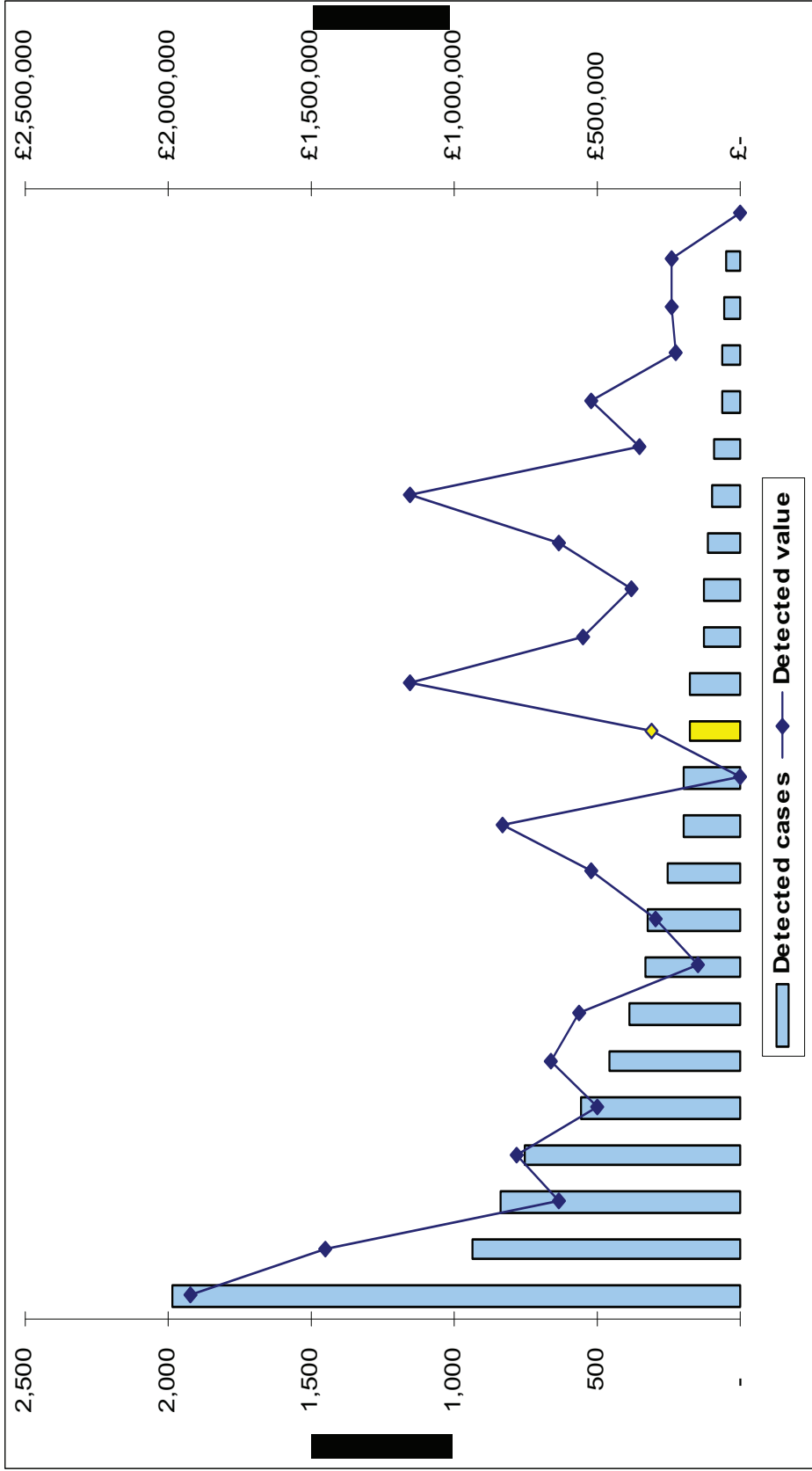


Interpreting fraud detection results

- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

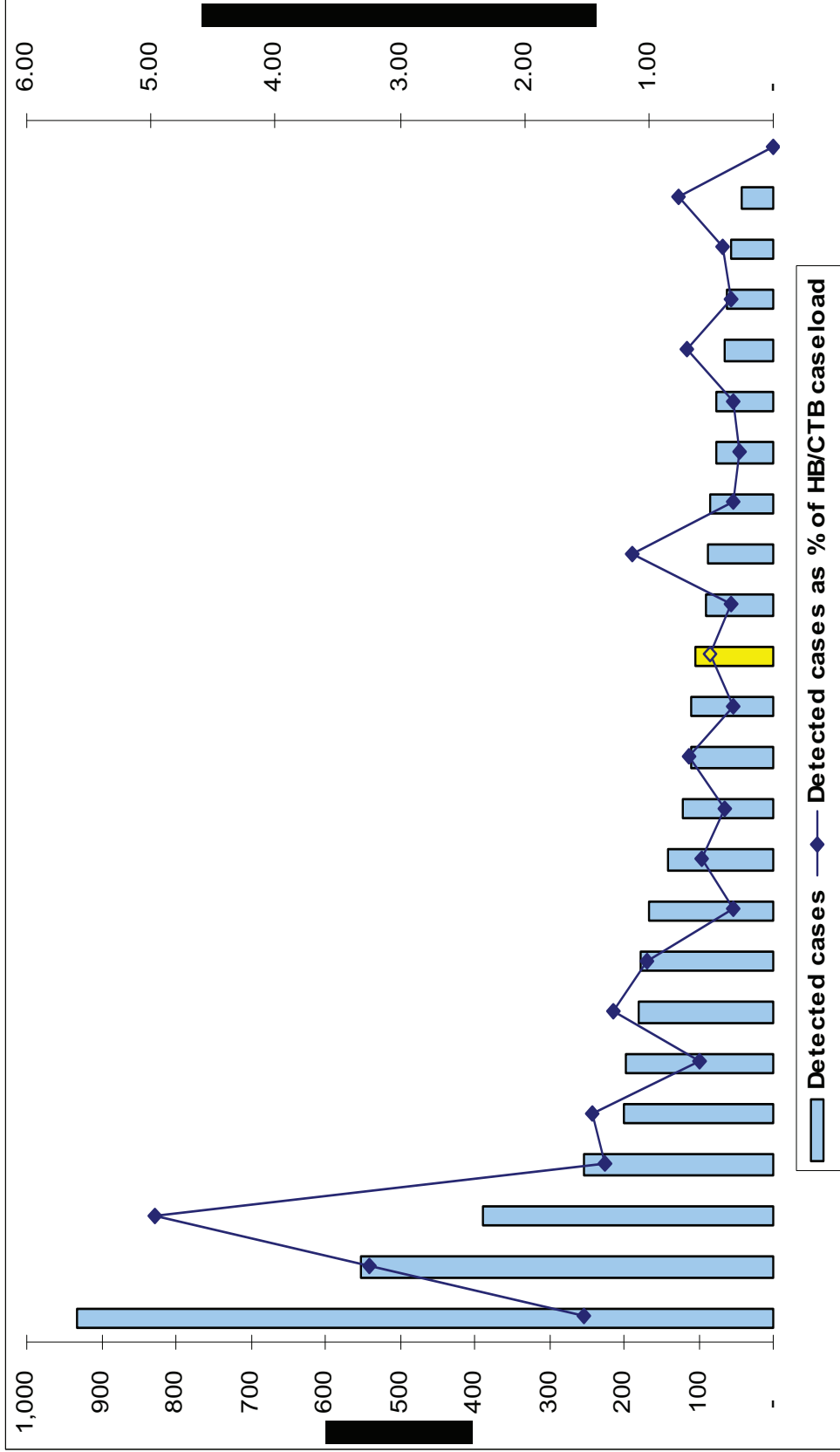
The local picture
How your council compares to other Southern unitary authorities
Total detected cases and value 2012/13 (excluding social housing fraud)



Torbay detected: 177 cases, valued at £307,281



**Southern unitary authorities 2012/13
Housing benefit (HB) and Council tax benefit (CTB) fraud
Detected cases and detected cases as a percentage of HB/CTB caseload**

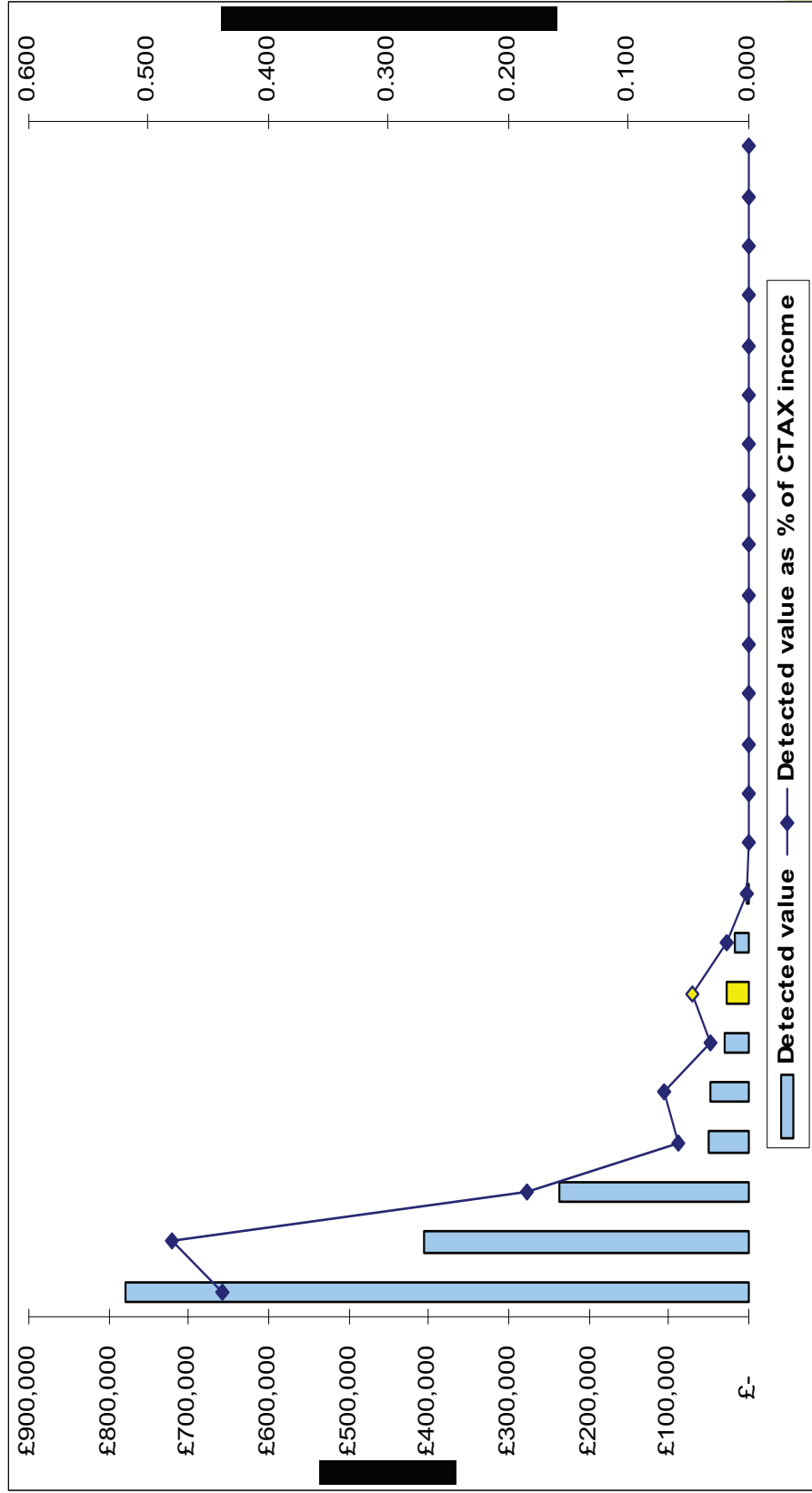


Torbay detected: 103 cases, valued at £279,584

Southern average: 178 cases, valued at £470,661



Southern unitary authorities 2012/13 Council tax (CTAX) discount fraud Detected value and detected value as a percentage of council tax income



Torbay detected: 73 cases, valued at £27,697

Southern average: 147 cases, valued at £66,679



Southern councils without housing stock 2012/13

Social housing fraud

It is estimated that:

- 2 per cent of social housing stock outside London is subject to tenancy fraud;
- tenancy fraud represents the second largest financial loss to fraud in local government, costing £845 million in 2013; and
- when combined with the loss to tenancy fraud suffered by housing associations, the total value in England is £1.8 billion – making tenancy fraud five times greater than the annual loss due to housing benefit fraud.

The Prevention of Social Housing Fraud Act 2013 criminalises tenancy fraud

The legislation gives councils investigation powers and the ability to prosecute tenancy fraudsters on behalf of housing associations

Should you be using this legislation to work in partnership with local housing associations?

Southern unitary authorities 2012/13 Disabled parking (Blue Badge) fraud Detected cases



Torbay detected: no cases
Southern average: 18 cases



Torbay Council

Other frauds

- Procurement: no cases
(Ave per Southern UAs: 1 case, valued at £12,882)
- Insurance: no cases
(Total Southern UAs: 4 cases reported, valued at £73,500)
- Social care: 1 case, value not recorded
(Ave per Southern UAs: 1 case, valued at £10,933)
- Economic & Third sector: no cases
(Total Southern UAs: no cases reported)
- Internal fraud: 1 case, valued at £1,474
(Ave per Southern UA: 4 cases valued at £28,045)

Correctly recording fraud levels is a central element in assessing fraud risk

It is best practice to record the financial value of each detected case

Any questions?



Agenda Item 14



Title: **Annual Governance Statement 2013/14**

Wards Affected: **All Wards**

To: **Audit Committee** On: **25 June 2014**

Key Decision: **No**

Change to Budget: **No** Change to Policy Framework: **No**

Contact Officer: **Mark Bennett**

☎ Telephone: **01803 207360**

✉ E.mail: **Mark.bennett@torbay.gov.uk**

1. What we are trying to achieve and the impact on our customers

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.

2. Recommendation(s) for decision

2.1 **That the Committee consider and agree the proposed Annual Governance Statement for 2013/14 which can then be approved by the Mayor and Executive Director of Operations & Finance and appended to the Statement of Accounts report to be approved by Council on 25 September 2014.**

2.2 **That, following the review of the Annual Governance Statement by External Audit, Officers be requested to bring an action plan back to this Committee.**

3. Key points and reasons for recommendations

Key points

3.1 The key features of the Annual Governance Statement (AGS) are summarised as follows: -

- It is a requirement of the Accounts & Audit (Amendment) (England) Regulations 2006, Regulation 4
- The Statement of Required Practice (SORP) requires the AGS to be included

with the Statement of Accounts, therefore it will need to be completed and signed off prior to the Council considering the Statement of Accounts at its meeting in September.

- The AGS is not audited but it is reviewed by external audit. This, in itself, will not give rise to qualifications on the accounts but it will be an integral part of other assessments of our arrangements eg. our use of resources.
- The AGS should relate to the entire financial year, it is not something which should be done only at year end but the assurance should be in place throughout the year.
- The statement will need signed by the Executive Director of Operations & Finance and the Mayor (as most senior Member of the Council).
- Action Plans will need to be produced to address any weaknesses/issues that are identified in the consequential inspection.

3.2 The Annual Governance Statement for 2013/14 is attached as Annex 1 to this report. The format of the statement is in accordance with the CIPFA / SOLACE Code of Practice and the contents of the Statement have been agreed with the Senior Officers of the Council.

Reasons for the Recommendations

- 3.4 To inform Members of the Council's Governance and Internal Control framework and any significant control issues in line with statutory requirements under the Accounts & Audit (Amendment) (England) Regulations 2006.
- 3.5 To ensure key issues are communicated to and actioned by the Council to ensure risks are managed and the Governance Framework is sound.

For more detailed information on this proposal please refer to the supporting information attached.

Mark Bennett
Head of Business Services

Supporting information

A1. Introduction and history

A1.1 The Accounts and Audit Regulations 2006 require every local authority as good practice to include in their annual statement of accounts a “Annual Governance Statement” signed by the Leader/Most senior Member (i.e. Elected Mayor) of the Council and the Chief Executive. The statement is wide ranging and includes an assessment of risks, Corporate Governance and the delivery of the Council’s functions. Internal Audit work forms an element of the evidence required but it is the management of the organisation that is responsible for the governance and internal control framework and for providing the assurance required.

A1.2 In assessing our use of resources a number of elements are considered. One such area is internal control and this includes the requirement for the Annual Governance Statement to be considered independently by Members prior to the consideration of the final Statement of Accounts.

A2. Risk assessment of preferred option

A2.1 Outline of significant key risks

A2.1.1 The report is predominantly for information and therefore there are no risks associated with the recommendations. However the report highlights a number of issues, which if not addressed could potentially expose the Council to risk.

A3 Remaining risks

A3.1 It is the responsibility of management to establish systems of governance and internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner. It does not matter how good the systems of internal control are, it is not possible to guarantee that a fraud will not occur, although it is hoped any irregularity would be quickly identified and resolved. As such Internal Audit can never give full assurance that the controls are working effectively or that fraud is not occurring. However with reference to the annual report from the Head of Internal Audit the Council can take reasonable assurance regarding the controls in place are operating satisfactorily.

A4. Other Options

A.4.1 The issues raised in this report are predominantly for information and as such there is no requirement to consider alternative options.

A.4.2 There is a statutory requirement for the Council to publish an Annual Governance Statement as part of its Statutory Accounts.

A.4.3 Internal Audit provides one element of the assurance required to enable the Mayor and Executive Director of Operations & Finance to sign the Annual Governance Statement required under the Accounts and Audit Regulations 2006 (amended). Service Managers provide another source of assurance and should provide evidence to support their view that the governance framework and internal controls are adequate. External reviews provide a further source of assurance.

A5. What impact will there be on equalities, environmental sustainability and crime and disorder?

A5.1 Resource implications are therefore related to staff time in preparing the Statement and in monitoring the controls in place to ensure the achievement of the Council's objectives.

A6. Consultation and Customer Focus

A6.1 The Annual Governance Statement is a statutory requirement and describes the Council's systems of governance and internal control and its processes for monitoring compliance with legislative requirements including equalities, environmental sustainability and crime and disorder.

A7. Consultation and Customer Focus

A7.1 The Annual Governance Statement has to be included within the Council's Statement of Accounts and is therefore available to the general public and all stakeholders and interested parties.

A8. Are there any implications for other Business Units?

A8.1 The Annual Governance Statement covers all services of the Council and will therefore have linkages and implications for all business units and for Torbay schools.

Appendices

Annex 1 Annual Governance Statement 2013/14

Documents available in members' rooms

None

Background Papers:

The following documents/files were used to compile this report:

CIPFA FAN Guidance

CIPFA / SOLACE Delivering Good Governance in Local Government framework, Guidance Note and Briefing Note.

ANNUAL GOVERNANCE STATEMENT 2013/14

ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2013/14

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*. A copy of the code is on the Council's website at [The Council's Constitution](#) or can be obtained from Governance Support. This statement explains how Torbay Council has complied with the code and also meets the requirements of regulation 4 (2) of the Accounts and Audit regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2006 in relation to the publication of a statement on internal control.

The purpose of the governance framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Torbay Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Torbay Council throughout the year ended 31st March 2014 and up to the date of approval of the annual report and statement of accounts.

The Governance framework

The key elements of Torbay Council's governance framework are summarised below:

(A) Arrangements for identifying and communicating the authority's vision of its purpose and intended outcomes for citizens and service users

- A Community Plan refreshed in Autumn 2011 sets out the Council's vision developed jointly with the Torbay Strategic Partnership which brings together representatives of the public, voluntary and business sectors
- A Corporate Plan revised in March 2013 to reflect the current priorities of the Council
- A medium term resource plan which is regularly and updated to support the achievement of the Council's corporate priorities
- A performance management framework which includes performance reports reported to the public
- A programme of consultation with the public through public meeting and other mediums on a regular basis
- As part of its budget setting process the Council co-ordinates a series of public events to gain an understanding of the communities views.
- The Council and the Care Trust, together with the Police and other partners have worked together to identify the needs of the area, including Health matters, and published a Joint Strategic Needs Assessment
- The Council's Communication Strategy, is communicated to staff, and all stakeholders via regular internal and external updates using promotional material, the web, the intranet
- Torbay Council 2013/14 Statement of Accounts for the year ended 31st March 2014
- Community Partnerships where local ward members and stakeholders can discuss concerns and issues with their constituents

(B) Arrangements for reviewing the authority's vision and its implications for the authority's governance arrangements

- The authority has also kept under review other key initiatives such as the actions arising from the Joint Strategic Needs Assessment for Health and Well Being,
- Regular consultation events were also used to inform the development and review of the authority's vision. These have continued to be used to obtain feedback on both service delivery and proposed plans and developments
- The budget setting process includes detailed scrutiny of proposals and their links to the Council's vision, priorities and stakeholder views, together with equalities impact assessments
- The Council is also very mindful that staff are also key stakeholders and as such, senior officers and Members have taken part in road shows. Internal communication approaches have been reviewed to ensure all staff are aware of

all issues and new policies and practices. Positive working relationship with trades unions through monthly formal meetings and informal meetings with the Executive Director of Operations & Finance and consultation where appropriate

(C) Arrangements for measuring the quality of services for users, for ensuring they are delivered in accordance with the authority's objectives and for ensuring that they represent the best use of resources

- Surveys of users in service specific groups are used together Viewpoint surveys to assess quality of service and policy changes to be made in light of user feedback. All these surveys and results are publicly accessible on the Council website. In addition the Council also encourages user involvement in appropriate services areas, examples being Speaking out in Torbay (SPOT) within the learning disabilities
- The Council records performance information using performance-reporting software 'Service Performance and Risk' (SPAR) and action on areas of poor performance is closely scrutinised, by the senior leadership team and Overview and Scrutiny members. The performance reporting system is based on exceptions and where performance is identified as a concern, appropriate corrective action will be considered, scrutinised and monitored
- The Council uses a range of benchmarking information, including the Audit Commission comparative data set and National Health Service (NHS) data. It uses the data to measure performance against comparators and to identify authorities from whom the Council could learn, and to identify potential areas of focus for budget reductions
- There is also a range of consultation and feedback mechanisms for obtaining feedback from customers

(D) Arrangements for defining and documenting the roles and responsibilities of the executive, non executive, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication

- The Constitution sets out how decisions are made and the procedures that are followed to ensure that these are efficient, transparent and accountable to local people
- This includes the publication of a monthly Forward Plan containing all key decisions
- The Constitution includes Standing Orders, Financial Regulations, Delegated powers, Contract Procurement rules and the budget and policy framework. These are underpinned by Codes of Conduct for officers and Members, Gifts and Hospitality rules, local protocols and by the Authority's Code of Corporate Governance
- The full Council of 37 elected Members, including the Mayor, is responsible for approving the Mayor's budget and the policy framework. The Mayor is responsible for decisions within this framework and has been supported by other Members who oversee and advise on specific areas
- Matters outside of the budget and policy framework are referred to full Council for decision, plus the full Council make recommendations to the mayor on executive decisions who normally makes his decisions at the full council

- A Scrutiny function with the Overview & Scrutiny Board which undertakes a range of reviews into policies and performance. The Board also has the facility to ‘call-in’ Mayoral decisions or Officer key decisions and makes recommendations as appropriate
- An Audit Committee is responsible for all internal and external audit matters along with some other Governance associated matters
- Some regulatory functions remain the responsibility of the Council rather than the Mayor and most of these are delegated to a small number of regulatory committees appointed annually by the Council
- All meetings are open to the public but a small number of confidential 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 papers to a minimum with only the confidential elements being kept exempt from the press and public. This ensures open and transparent decision making is undertaken at all times. Council officers provide appropriate advice at the points of consideration and decision, and report to Members on progress and outcomes of decisions taken
- The Authority has developed a number of Local Protocols (including in relation to Member and Officer Relations; Planning Matters and the role of the Monitoring Officer), all in line with good Corporate Governance
- A ‘local’ code of conduct dealing with what is expected of members and co-opted members of the authority when they are acting in that capacity

(E) Arrangements for developing, communicating and embedding codes of conduct, defining the standards of behaviour for members and staff

- The Council’s intranet contains a range of policies, procedures and guidance for all staff including Human Resources (HR) policies, I-learn training modules, Computer Security Policy, Freedom of Information Policy and Data Protection Policy and the Corporate Plan and Constitution
- Legislative changes are monitored and reported to Strategic Leadership Team (SLT) and communicated to staff as required.
- Corporate induction courses are run on a regular basis. Managers are responsible for local induction arrangements. Officers in politically restricted posts and those responsible for negotiating contracts are required to register their personal interests
- The Council has a Fraud and Corruption Policy which is reviewed regularly and has been communicated to all staff and is available on the Council’s Intranet. That has been discussed and approved by the Council’s Standards Committee
- 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

(F) Arrangements for reviewing and updating Standing Orders and Financial Regulations, a scheme of delegation and supporting procedure notes/manuals, which clearly define how decisions are taken and the processes and controls required to manage risks

- The Council's Constitution is reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Governance Support Manager in consultation with the Mayor and Group Leaders to ensure the Council's governance arrangements reflect best practice
 - Directors and Executive Heads are responsible for managing risk within their departments
 - The Executive Head Business Services is responsible for the implementation and monitoring of the risk management strategy
 - A Strategic Risk Register which identifies strategic risks with clearly identified measures for mitigation
 - The Council, when considering any matter, will have a risk assessment within the report
 - The Council fully recognises the need to continue to manage risks in all projects and, where appropriate Prince II and MSP are applied
- (G) Ensuring the Authority's financial management arrangements conform with the governance arrangements of the CIPFA statement on the role of the Chief Finance Officer (CFO) in local government.**
- The Chief finance Officer (CFO) has direct access to the Executive Director of Operations & Finance on all matters and has direct access to all Members and senior officers of the Council
 - The Council follows practices to ensure it makes best use of its resources. The CFO works with Directors and Executive Heads to identify any financial issues which may require management action. These are reported to the Overview and Scrutiny Board and Council on a quarterly basis, regular discussions take place with the Executive Member with responsibility for finance
 - All reports to Members include a section on the resource implications, prior to publication these implications are cleared by the CFO or one of his senior staff. These reports also cover value for money and benchmarking implications where appropriate
 - The full Council approves the Treasury Management Strategy on an annual basis and all Members are briefed on key financial issues
 - The CFO has responsibility for ensuring that the Council operates secure and reliable financial and accounting systems. Devon Audit Partnership undertake the role of auditing these systems to give the assurance needed
 - The Council has developed a Medium Term Resource Plan, which is reviewed on an on-going basis to take into account new information and changing circumstances, this is used to inform reports to members, detailed in year plans are produced as part of the annual budget process, these in year plans represent the business units individual business plans through which financial and operational performance are monitored
- (H) Undertaking the core functions of an Audit Committee, as defined in CIPFA's *Audit Committees – Practical Guidance for Local Authorities***

- A stand alone Audit Committee was established during 2008-09 and meets on a quarterly basis where reports from both Internal and External Audit are considered as well as risk and associated matters

(I) Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

- The system of internal financial control is based on a coherent accounting and budgeting framework including Financial Regulations, Contract Standing Orders, Scheme of Delegation and accountability
- Medium-term resource plans covering both revenue and capital spend which provides a framework for the planning and monitoring of resource requirements. These also link in with the business development proposals which are fed by the Strategic Plan
- Operation of the Capital Strategy aims to ensure that investment is linked to Strategic Objectives. Bids for capital and other asset management funding require an effective 'business case' linked to Strategic Objectives, and progress in delivering projects is formally monitored by the Capital Asset Management Team, Councillors and Commissioners' Management Teams. Linked in with this is the Asset Management Plan which ensures that assets are only retained for effective business purposes
- Financial stewardship in respect of both capital and revenue is reported to Overview and Scrutiny and Council quarterly, and is considered regularly by the Strategic Leadership Team. Management Teams also consider their respective budgets on a regular basis. This is supported by an established budget monitoring process by managers and Finance staff and the electronic distribution of budget monitoring reports to all managers
- Directors and Executive Heads are required to produce an annual statement of Internal Control for their areas which includes statements about risk and the internal control framework. This is supported by Internal Audit who help embed risk management by cyclical audits and other management initiatives

(J) Arrangements for Whistle-blowing and for receiving and investigating complaints from the public

- The **Fraud & Corruption Policy, Fraud Response Plan and Whistle Blowing Policy** were reviewed and updated in 2008. A further review was undertaken during 2012/13 with an updated Whistle Blowing policy being agreed on 20 March 2013. The Policy is available on the website, intranet and direct from the Information Governance team. The Authority also subscribes to Public Concern at Work which provides a staff helpline
- The Council has an established phone line that any whistle blowing call can be made to and which goes directly to the area which has responsibility for dealing with these issues in the first instance. These are recorded and passed on to the appropriate part of the organisation to investigate and the outcomes are monitored
- The Council has procedures for dealing with customer complaints and provides the means for customers to feedback concerns or issues. Complaints are analysed and reported back to Members and Managers along with the actions

taken. An Annual Report is produced outlining the complaints and compliments handled by the Council and Ombudsman during the previous financial year. This is reported to the Overview & Scrutiny Board. Customer Care standards have been agreed and published. The complaints procedures are regularly reviewed.

(K) Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

- All members have personal development plans, corporate training needs are identified through the Strategic Leadership Team
- The Member Development Policy provides a structured approach to member development to ensure all members are supported in their role. The majority of training delivered through the Devon member development shared service
- The Council has strongly supported staff development, particularly through programmes such as Institute of Leadership and Management

(L) Arrangements for establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

- Regular consultation events are held with public and voluntary services plus regular business forum meetings. Other consultation and feedback surveys are also undertaken throughout the year
- Torbay Council operates a Call Centre which is based in Torquay and deals with a wide variety of calls from residents and visitors over an expanding range of issues as more services are included in those dealt with in the first instance by the centre
- All customer contact received via our Call Centre or our Connections offices is documented to ensure the information is actioned by, or forwarded to, the relevant department, as necessary. The Council also uses its libraries as initial contact points from which enquiries can also be dealt with
- The Consultation and Engagement framework is available on the website indicating mechanisms and groups and how the Consultation and Engagement Group effectively manages engagement with the public and voluntary sector. There are also a number of Community Partnerships across Torbay. Councillors have also been encouraged to produce their own means of communication and, for example a number have created their own websites

(M) Incorporating good governance arrangements in respect of partnerships and other group working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements

- The Council's Code of Corporate Governance is available on its website. There is a robust Constitution established for the local Community Partnerships

- Appropriate arrangements in respect of service specific partnerships such as the Torbay & Sothern Devon Care Trust and the Torbay Coast & Countryside Trust, TOR2 and English Riviera Tourist Company and Economic Development Company are in place

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 the executive 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
- Overall responsibility for the governance framework including the system of internal control rests with the Mayor and Executive Director of Operations & Finance and they receive regular reports from the Section 151 Officer on financial issues and the Monitoring Officer on legal issues as and when appropriate. This includes regular budget monitoring information and the Medium Term Resource Plan
- This is supported by an annual review of Internal Audit by the Section 151 Officer which reviews compliance with the CIPFA Code of Practice and the effectiveness of the audit service. 2013-14 saw the fifth year of operation of the Devon Audit Partnership which was the amalgamation of the three Internal Audit functions of Devon County Council, Plymouth City Council and Torbay Council and has continued during this year. As in previous years the service undertook certain assurance work on behalf of the Council and to give assurance to the external auditors as part their audit opinion. The external auditors raised no concerns about the standard of work performed by the Devon Audit Partnership. No major issues were identified and the service has maintained the level of assurance it is able to provide to management
- Torbay operates a mayoral system of governance and the Council's Constitution is continually reviewed throughout the year by the Monitoring Officer, Section 151 Officer and Governance Support Manager in consultation with the Mayor and Group Leaders whereby improvements and changes to the constitution are made and agreed. The Constitution defines the relative responsibilities of the Council, the Mayor, Overview and Scrutiny and Senior Officers. This also includes the Schemes of Delegation, and also the Officer Scheme of Delegation
- 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 monitoring officer, executive director, section 151 Officer and the senior leadership team
- Since the May 2011 elections the Mayor has chosen to make the majority of his decisions at council meetings to ensure they are taken in public both full council decisions (part of the policy framework) and Mayoral decisions are taken in public with full questions by council in order to further introduce further transparency and public accountability
- The Audit Committee and Overview and Scrutiny Board operate to provide assurance and call the executive to account, through decisions in the forward plan, performance management and risk and the use of 'call in' where appropriate

- Risk is embedded in performance management and can therefore be challenged and has oversight through the Executive, Audit Committee and Overview and Scrutiny Board
- The standards committee continue to be part of the successful operation of the council's governance,
- There is also the whistle blowing mechanism which can be used to raise concerns which can include governance matters. Standards also provide independent feedback to members in their public duties through observing conduct at Council, and Overview and Scrutiny. This has allowed members to improve their performance individually and collectively, in addition to the 1-1s of member performance management
- The Council continues to challenge itself in governance and includes governance 'days' for all members to refocus when required
- The council's section 151 officer holds regular meetings with the Head of the Devon Audit Partnership (DAP) with responsibility for Torbay to discuss all on-going and planned work and any issues which arise. The Head of Internal Audit reports 6 monthly to the Audit Committee setting out work undertaken and the planned work for the year. This will include reporting on audits and work undertaken where there are concerns over practice or systems of internal control and sets out how these will be addressed

Internal Audit

- The internal audit services is provided by Devon Audit Partnership (DAP). This is a shared service arrangement between Torbay, Plymouth and Devon councils and is constituted under section 20 of the Local Government Act 2000
- Public Sector Internal Audit Standards – Collaboration between the Institute of Internal Auditors, CIPFA and International Audit Standards Setters has resulted in the first set of public sector internal audit standards (PSIAS) for the UK. The PSIAS, which came into force on 1 April 2013, have been developed to create consistent standards for the practice of internal audit across the public sector. An independent review of DAP was completed in November 2012 and confirmed that DAP were "ready" for the planned changes in approach
- The Council's Internal Audit Plan, which is risk based, is agreed annually with Commissioners 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
 - Cyclical reviews by Internal Audit of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment which considers the strategic and operational risks identified in the Corporate Risk Register and Business Plans and also includes consideration of materiality, sensitivity and previous audit and inspection findings;
 - Work in relation to the prevention of fraud and corruption and an allowance for 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 receive reliance from the NHS Internal Audit Confederation over the controls in operation at Torbay and Southern Devon Health and Care NHS Trust. The controls cover the provision of the adult social services
- Achievement of 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 were also held between the Section 151 Officer and a representative of the Devon Audit Partnership to discuss specific issues that have arisen

Significant governance Issues

- No significant governance issues have been identified. Overall, and based on work performed during 2013/14, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.



Meeting: Audit Committee
Council

Date: 25th June 2014
17th July 2014

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2013/14

Executive Lead Contact Details: Mayor Gordon Oliver, 01803 207001,
gordon.oliver@torbay.gov.uk

Supporting Officer Contact Details: Pete Truman, Principal Accountant, 01803
207302, pete.truman@torbay.gov.uk

1. Purpose and Introduction

- 1.1 This report informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2013/14 through management of cash flow, debt and investment operations and the effective control of the associated risks.

2. Proposed Decision

Audit Committee:

- 2.1 **That the Treasury Management decisions made during 2013/14 as detailed in this report be endorsed.**

Council:

- 2.2 **That the Audit Committee recommends Council to endorse the Treasury Management decisions made during 2013/14, as detailed in the submitted report; and**
- 2.3 **That Council be recommended to approve the Prudential and Treasury Indicators as set out in Annex 1 to this report.**

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 2013/14.
- 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 Code as:

“The management of the authority’s 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 2013/14 the minimum reporting requirements were that full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 6th February 2013)
- A mid-year review report (distributed to all Members on the Council’s intranet site in December 2013)
- An annual report following the year describing the activity compared to the strategy (this report)

4.3 Recent changes in the regulatory environment place a much greater onus on Members for the review and scrutiny of treasury management policy and activities. This report is 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 also confirms that it has complied with the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Audit Committee before they were reported to full Council.

4.5 A major element of the Treasury Management function is the implementation and control of the Council’s borrowing decisions. Like all local authorities Torbay Council uses borrowing as a key source of funding for enhancing, purchasing or building assets within the approved capital plan.

4.6 Borrowing allows the repayment costs of capital expenditure to be spread over future years which means that the costs of roads, schools etc are more likely to be met by those who use the assets than would be the case if the full cost of providing these facilities were met by taxpayers at the time of their construction.

4.7 As part of the annual budget process the Council sets limits for the total amount of borrowing that it considers is affordable in terms of revenue resources available to make repayments. Treasury Management officers are tasked with maintaining borrowing within these levels and obtaining best value for the Council in terms of repayment rates and length of loans.

4.8 The Treasury Management team also carry out management of the Council’s surplus cash balances arising from, for example:

- Short term revenue balances (working capital)
- Cash backed reserves
- Capital funding received in advance of commencement of schemes

Balances are invested with approved financial institutions and other local authorities to obtain the best return for periods which ensure cash is available when needed. Security of cash and liquidity are the absolute priorities in all investment decisions.

- 4.9 Treasury Management strategies were planned and implemented in conjunction with the Council's appointed advisors, Capita Asset Services although the Council officers were the final arbiters of the recommended approach.

5. Possibilities and Options

- 5.1 Not applicable

6. Fair Decision Making

- 6.1 Not applicable

7. Public Services (Social Value) Act 2012

- 7.1 Not applicable

8. Consultation

- 8.1 Not applicable

9. Risks

- 9.1 Not applicable

Appendices and Annexes

Appendix 1	Treasury Management Activities in 2013/14
Annex 1	Prudential and Treasury Indicators 2013/14
Annex 2	The Economy and Interest Rates in 2013/14
Annex 3	Counterparties with which funds have been deposited in 2013/14

Additional Information

Treasury Management Strategy 2013/14

Treasury Management Activities in 2013/14

A1. Introduction

A1.1 This Appendix covers:

- Capital Expenditure and Financing 2013/14;
- Capital Financing Requirement;
- Treasury Position at year End;
- The Strategy for 2013/14;
- The Economy and Interest rates 2013/14;
- Borrowing Rates in 2013/14;
- Borrowing Outturn for 2013/14;
- Investment Rates in 2013/14;
- Investment Outturn for 2013/14;
- Revenue Budget Performance;
- Reporting Arrangements and Management Evaluation

A2 Capital Expenditure and Financing 2013/14

A2.1 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).

A2.2 The actual capital expenditure forms one of the required prudential indicators and is shown in the table below. Other Prudential and Treasury Indicators are presented at Annex 1 to this report.

	2012/13 Actual £m	2013/14 Revised £m	2013/14 Actual £m
Total capital expenditure	19	22	17

A3 Capital Financing Requirement

A3.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's net debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2013/14 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been financed by revenue or other resources.

A3.2 Part of the Council's treasury activities is to address the funding requirements for this borrowing need. Depending on the capital expenditure programme, the treasury service organises the Council's cash position to ensure sufficient cash is available to meet the capital plans and cash flow requirements. This may be sourced through borrowing from external bodies (such as the Government, through the Public Works Loan Board [PWLB] or the money markets), or utilising temporary cash resources within the Council.

A3.3 **Reducing the CFR** – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively the reserving of funds for repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. The Council's 2013/14 MRP Policy (as required by CLG Guidance) was approved as part of the Treasury Management Strategy Report for 2013/14 on 6th February 2014.

A3.4 The total CFR can also be reduced by:

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

A3.5 Following the transfer of Local Government reorganisation debt from Devon County Council in 2010/11 the Council now budgets £0.5m per annum to reflect a provision for the repayment of this debt on maturity (similar to MRP) and all payments to 31st March 2014 have been made.

A3.6 The Council's CFR for the year represents a key prudential indicator analysed at Annex 1 and summarised below. This includes PFI schemes on the balance sheet, which increase the Council's long term liabilities. No borrowing is actually required against these schemes as a borrowing facility is included in the contract (if applicable).

CFR (£m)	31 March 2013 Actual	31 March 2014 Revised Indicator	31 March 2014 Actual
CFR at Year End	136	136	135

A3.7 The borrowing activity is constrained by prudential indicators for net borrowing and the CFR, and by the authorised limit presented at Annex 1 to this report.

A4 Treasury Position at Year End

A4.1 The Council's funding and investment positions at the beginning and end of year was as follows:

	31 March 2013 Principal	Rate/ Return	Average Life yrs	31 March 2014 Principal	Rate/ Return	Average Life yrs
Fixed rate funding:						
-PWLB	£138.1m			£128.1m		
-Market	<u>£10.0m</u>	£148.1	4.33%	26.9	<u>£10.0m</u>	£138.1m
					4.39%	25.8
Variable rate funding:						
-PWLB	£0.00m			£0.0m		
-Market	<u>£0.00</u>	£0.00m	0%	<u>£0.0m</u>	<u>£0.0m</u>	<u>0%</u>
Total Borrowing	£148.1	4.33%	26.9	£138.1m	4.39%	25.8
Other Long Term Liabilities	£9.3M	5.26%	14.5	£8.8M	5.26%	13.5
Total Borrowing/Other LTL	£157.4M	4.39%	24.9	£146.9M	4.44%	24.3
CFR	£135.7m			£135.1m		
Borrowing in excess of CFR*	£21.7m			£11.8m		
Investments**						
- in house	£52.1m	2.03%		£42.2m	1.25%	
- with managers***	£29.8m	1.40%		£29.8m	0.82%	
Total investments	£81.9m	1.81%		£72.0m	1.11%	

* The Capital Investment Plan approved in February 2014 requires £25m to support approved schemes over the next four years.

** Rates for investments reflect the average rate achieved over the full year.

*** The principal for external management of funds reflects the original amount applied to the contract in 2007 and subsequent additions and withdrawals

A4.2 The total borrowing figure at year end of £138.1m includes borrowing supported by central government. The Local Government Finance Settlement for 2013/14 (available on the Communities and Local Government website) recognises a figure of £90m on which central funding is based for interest payments and MRP.

A4.3 The outturn against approved treasury limits is analysed at Annex 1 to this report.

A5. The Strategy for 2013/14

A5.1 The central strategy aimed to reduce the level of borrowing levels in order to reduce the credit risk and cost incurred by holding high levels of investment.

A5.2 The economic outlook for 2013/14 however, expected little opportunity to repay borrowing due to high costs. The expectation for interest rates anticipated continuing low levels with only a gradual rise in the latter part of the year.

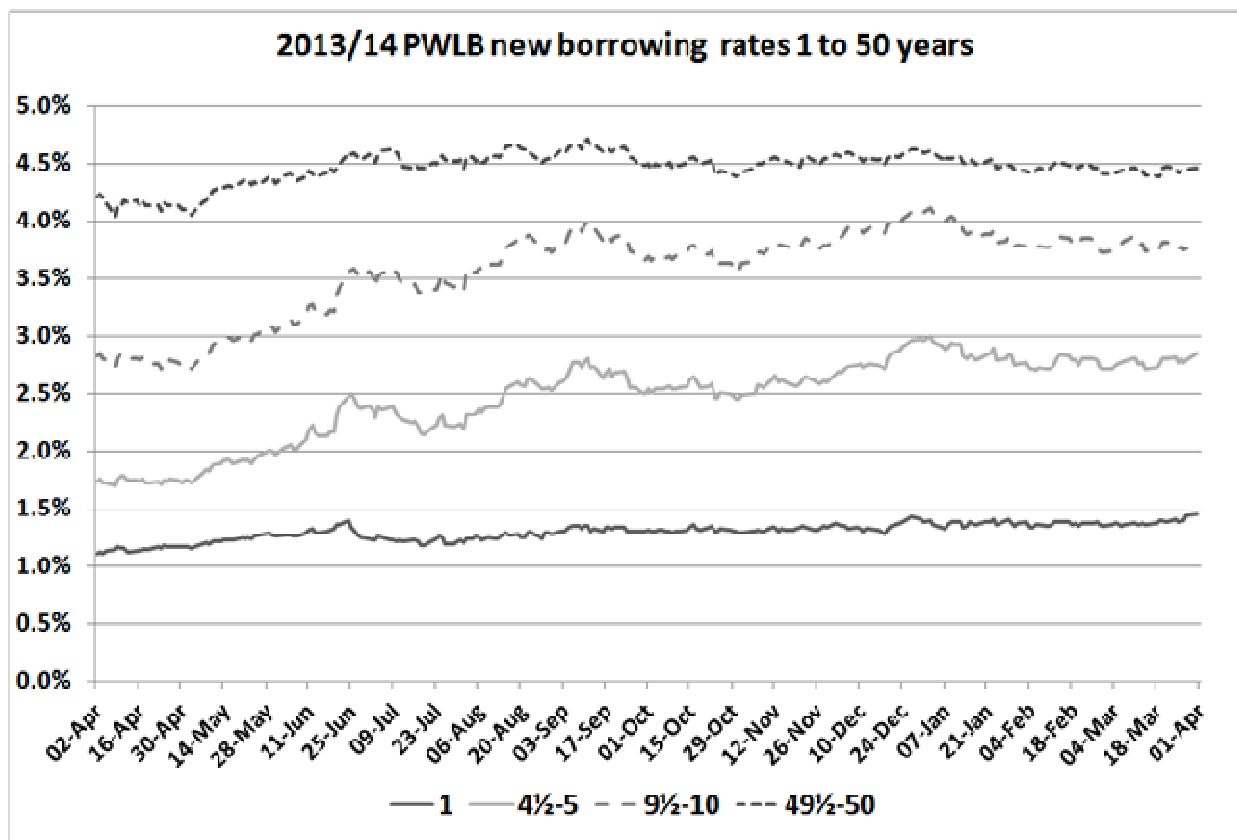
A5.3 Investment strategy was strongly influenced by market and credit risk considerations with deposits planned primarily in UK part-nationalised banks, balanced by a proportion of funds deposited in business reserve and notice accounts to ensure appropriate liquidity was maintained.

A6 The Economy and Interest Rates 2013/14

A6.1 A commentary of the economic factors prevalent in 2013/14 is given at Annex 2.

A7. Borrowing Rates in 2013/14

A7.1 The graph below shows a marginal rise in the historically low levels in PWLB certainty (new borrowing) rates during the year.



A7.2 Despite the slight shift up in new borrowing rates the separate tier of rates for repayments remain much lower than new borrowing levels and continue to limit the opportunities for early repayment of loans.

A8 Borrowing Outturn for 2013/14

A8.1 In line with the overall strategy of reducing borrowing levels, Officers reacted to advantageous movements in PWLB rate levels to repay £10million of loans during the year with an advance interest payment of £805k absorbed within the overall Treasury Management costs. The resultant net interest savings represent a payback of these costs by March 2016.

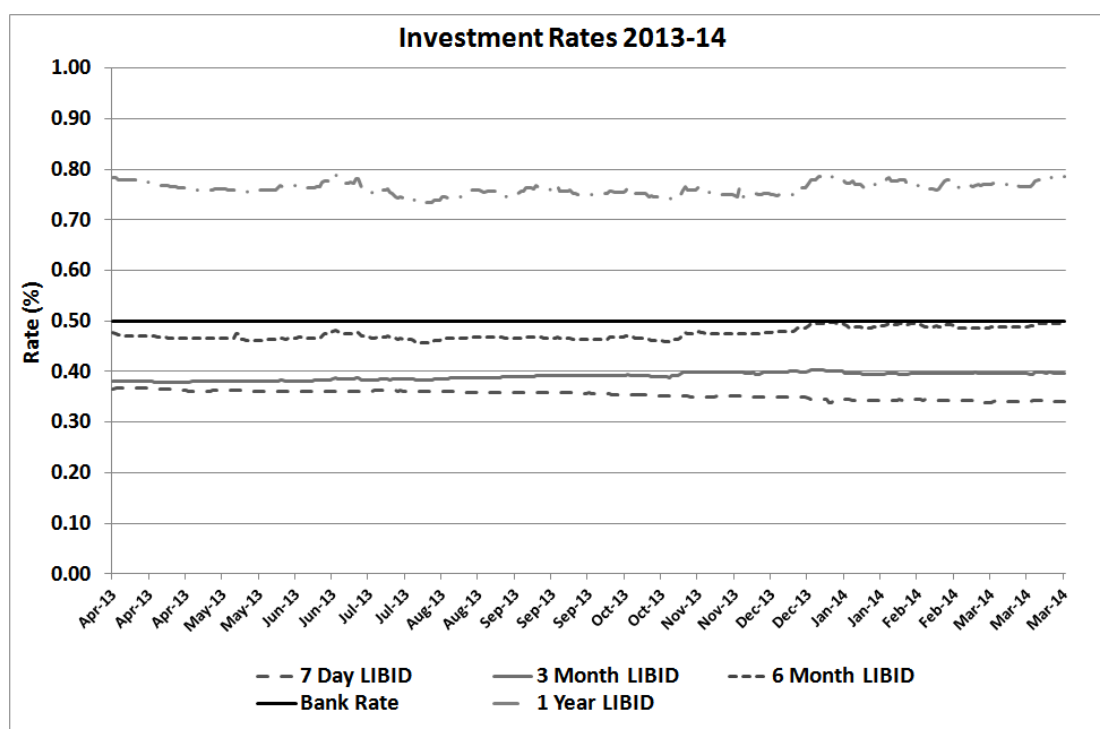
A8.2 **Borrowing Performance** – The average rate of interest paid on all loans in 2013/14 was 4.37%. Total borrowing was reduced from £148.1 million to £138.1 million during the year generating ongoing annual revenue budget savings, less expected investment returns in 2014/15, estimated at £300k.

A9 Investment Rates in 2013/14

A9.1 Bank Rate remained at its historic low of 0.5% throughout the year; it has now remained unchanged for five years. Market expectations of the start of monetary tightening ended up unchanged with a first rise forecast for early 2015.

A9.2 The Funding for Lending Scheme resulted in deposit rates remaining depressed during the whole of the year, although the part of the scheme supporting provision of credit for mortgages came to an end in the first quarter of 2014.

A9.3 The following graph below illustrates the path of investment rate movements during 2013/14. The effect of the Funding for Lending scheme is clearly illustrated.



A10 Investment Outturn for 2013/14

- A10.1 **Investment Policy** – the Council’s investment policy is governed by CLG guidance which emphasises the priorities of security and liquidity of funds and requires Local Authorities to set out their approach for selecting suitable counterparties. The policy was approved by Council within the Annual Investment Strategy on 6th February 2013 and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data.
- A10.2 In line with the Strategy investments were made within a tight counterparty selection framework with significant sums kept in liquidity accounts and fixed term deposits up to one year.
- A10.3 Despite some easing in the EU sovereign debt crisis during the year the Chief Finance Officer remains concerned of the potential impact on Eurozone Banks and as such these institutions are still excluded from the approved counterparty list regardless of their individual credit ratings.
- A10.4 The limits imposed on creditworthiness gave rise to a very low number of acceptable and practical counterparties in which to invest during the year. Significant deposits were made in the part nationalised Banks where security is maintained through the implicit government guarantee.
- A10.5 In light of recent reductions in the governments’ share of Lloyds Banking Group the maturity structure of fixed deposits will be managed to ensure exposure to part nationalised Banks can be minimised in the event that government backing ends and the prevailing credit ratings fall below the Council’s requirements.
- A10.6 During the year a number of enhanced rate products available to local authorities were reduced or withdrawn (a probable consequence of the Funding for Lending scheme). This situation is continuing into the new financial year and going forward the Council will be limited to rates reflecting the normal low market levels.
- A10.7 A list of those institutions with which the in-house team invested funds during the year is provided at Annex 3. No institutions with which investments were made showed any difficulty in repaying investments and interest in full during the year.
- A10.8 **Externally Managed Investments** – Scottish Widows Investment Partnership (SWIP) was appointed to manage a proportion of the Council’s cash on 21st June 2007. The CFO reviewed and adjusted the maximum limit for externally managed investments to maintain the existing holding with SWIP in light of reducing cash levels.
- A10.9 This ensures the Council continues to have an appropriate proportion of investments exposed to a diverse range of instruments and counterparties.
- A10.10 Despite reducing opportunities SWIP continued to make good use of quality credit assets and longer dated deposits to enhance returns.
- A10.11 On 1st April 2014, Scottish Widows Investment Partnership was acquired by Aberdeen Asset Management. There will be no resultant change in the management criteria of the Council’s holding and no increase in risk.

A10.12 Performance Analysis - Detailed below is the result of the investment strategy undertaken by the Council. Despite the continuing difficult operating environment the Council's investment returns remain well in excess of the benchmark.

	Average Investment Principal	Rate of Return (gross of fees)	Rate of Return (net of fees)	Benchmark/ Target Return
Internally Managed	£61,847,148	1.25%	na	0.354%
Externally Managed	£30,094,932	0.85%	0.70%	0.356%

The benchmark for internally managed funds is the average 7-day LIBID rate (uncompounded). The benchmark for externally managed funds is the 7-day LIBID rates, averaged for the week and compounded weekly.

A10.13 In interest terms, the in-house treasury function contributed an additional £554,000 to the General Fund over and above what would have been attained from the benchmark return. SWIP's net return achieved an additional £92,000 over their target return level of 10% above benchmark.

A11 Revenue Budget Performance

A11.1 The effect of the decisions outlined in this report on the approved revenue budget is outlined in the table below.

	Revised Budget 2013/14	Actual 2013/14	Variation
	£M	£M	£M
Investment Income	(0.9)	(1.0)	(0.1)
Interest Paid on Borrowing	6.6	6.2	(0.4)
Advance interest on early repayment of Borrowing	0.0	0.8	0.8
Net Position (Interest)	5.7	6.0	0.3
Minimum Revenue Provision	4.2	4.2	0.0
MRP re: PFI	0.4	0.4	0.0
PFI Grant re: MRP	(0.4)	(0.4)	0.0
Net Position (Other)	4.2	4.2	0.0
Net Position Overall	9.9	10.2	0.3

A11.2 The Revenue Grant settlement 2013/14 formula includes notional funding of £9.8m for interest payments and MRP related to supported borrowing within the above figures.

A11.3 The changing position was regularly reported to OSB and Council throughout the year as part of the budget monitoring reports to Members

A12 Reporting Arrangements and Management Evaluation

A12.1 The management and evaluation arrangements identified in the annual strategy and followed for 2013/14 were as follows:

- Monthly monitoring report to Executive Lead for Finance and Chief Finance Officer
- Monthly meeting of the Treasury Manager and Chief Accountant to review previous months performance and plan following months activities
- Regular meetings with the Council's treasury advisors
- Regular meetings with the Council's appointed Fund Manager
- Membership and participation in the CIPFA Benchmarking Club

Prudential and Treasury Indicators 2013/14

Net borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2013/14 plus the expected changes to the CFR over 2014/15 and 2015/16. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs in 2013/14. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR (£m)	31 March 2013 Actual	31 March 2013 Revised Q3 Indicator	31 March 2014 Actual
Opening balance	137.1	135.7	135.7
Capital expenditure in year funded from borrowing	3.6	6.9	4.0
Minimum Revenue Provision	(5.0)	(4.6)	(4.6)
Repayment of Deferred Liabilities	0	0	0
CFR at Year End	135.7	138.0	135.1
Net borrowing position	75.5	76.2	74.9

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 2013 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.

	2013/14
Authorised limit	£192m
Maximum gross borrowing position	£157m
Operational boundary	£173m
Average gross borrowing position	£142m

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.

	2013/14
Total Financing Costs	£10.2m
Net Revenue Stream	£127.0m
Ratio – Including Revenue Contributions to Capital	9.25%
Ratio - Excluding Revenue Contributions to Capital	8.03%

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 2014 Actual	31 March 2014 Proportion	2013/14 Original Limits Upper-Lower
Under 12 months	£0	0%	5% - 0%
12 months and within 24 months	£0	0%	20% - 0%
24 months and within 5 years	£6M	4%	20% - 0%
5 years and within 10 years	£10M	7%	50% - 0%
10 years and within 25 years	£45M	33%	100% - 0%
25 years to 40 years	£48M	35%	100% - 0%
Over 40 years	£29M	21%	80% - 0%

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 2013/14 Actual applies administered by the external Fund Manager.

	2012/13 Actual	2013/14 Limit	2013/14 Actual
Investments of 1 year and over	£19M	£66m	£15m

Exposure to Fixed and Variable Rates - The Prudential Code requires the Council to set upper limits on its exposure to the effects of changes on interest rates. The fixed rate limit set allows for the Council's entire borrowing to be locked out at affordable levels. The variable limit reflects the use of Liquidity Accounts for investing cash. (The negative Actual net values reflects the extensive use of these variable rate instruments due to attractive rates and counterparty concerns), netted against a zero level of variable debt.)

	31 March 2013 Actual	2013/14 Upper Limits	31 March 2014 Actual
Net principal re fixed rate borrowing / investments	£104m	£150m	£82m
Net principal re variable rate borrowing / investments	-£38m	£41m	-£16m
<i>Limits on fixed interest rates:</i>			
• Debt only	148	163	138
• Investments only	44	70	56
<i>Limits on variable interest rates</i>			
• Debt only	0	41	0
• Investments only	38	59	16

The Economy and Interest Rates 2013/14

By Capita Asset Services April 2014

The financial year 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk had subsided somewhat. The original expectation for 2013/14 was that Bank Rate would not rise during the year and for it only to start gently rising from quarter 1 2015. This forecast rise has now been pushed back to a start in quarter 3 2015. Economic growth (GDP) in the UK was virtually flat during 2012/13 but surged strongly during 2013/14. Consequently there was no additional quantitative easing during 2013/14 and Bank Rate ended the year unchanged at 0.5% for the fifth successive year. While CPI inflation had remained stubbornly high and substantially above the 2% target during 2012, by January 2014 it had, at last, fallen below the target rate to 1.9% and then fell further to 1.7% in February. It is also expected to remain slightly below the target rate for most of the two years ahead.

Gilt yields were on a sharply rising trend during 2013 but volatility returned in the first quarter of 2014 as various fears sparked a flight to quality (see paragraph 4.) The Funding for Lending Scheme, announced in July 2012, resulted in a flood of cheap credit being made available to banks which then resulted in money market investment rates falling drastically in the second half of that year and continuing into 2013/14. That part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices.

The UK coalition Government maintained its tight fiscal policy stance but recent strong economic growth has led to a cumulative, (in the Autumn Statement and the March Budget), reduction in the forecasts for total borrowing, of £97bn over the next five years, culminating in a £5bn surplus in 2018-19.

The EU sovereign debt crisis subsided during the year and confidence in the ability of the Eurozone to remain intact increased substantially. Perceptions of counterparty risk improved after the ECB statement in July 2012 that it would do “whatever it takes” to support struggling Eurozone countries; this led to a return of confidence in its banking system which has continued into 2013/14 and led to a move away from only very short term investing. However, this is not to say that the problems of the Eurozone, or its banks, have ended as the zone faces the likelihood of weak growth over the next few years at a time when the total size of government debt for some nations is likely to continue rising. Upcoming stress tests of Eurozone banks could also reveal some areas of concern.

Counterparties with which funds were deposited (April 2013 – March 2014)

Banks and Building Societies

Bank of Scotland
Lloyds TSB
Nationwide Building Society
Royal Bank of Scotland/National Westminster
Svenska Handelsbanken

Local Authorities

Blackpool Borough Council

Other Approved Institutions

Public Sector Deposit Fund
Royal Bank of Scotland Money Market Fund
Scottish Widows Investment Partnership



Internal Audit

Annual Audit Report 2013/14

Torbay Council
Audit Committee

Page 578
June 2014



Auditing for achievement

Contents

INTRODUCTION	1
ASSURANCE STATEMENT	2
BASIS FOR OPINION	3
AUDIT AUTHORITY	4
THE CONSEQUENCES OF CHANGE AND RISK	5
BUSINESS OBJECTIVES – AUDIT ASSURANCE OVERVIEW	6
AUDIT COVERAGE AND PERFORMANCE AGAINST PLAN	7
CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS (PSIAS)	8
PERFORMANCE INDICATORS	8
CUSTOMER SERVICE EXCELLENCE	8
INTERNAL AUDIT COVERAGE AND RESULTS	9
FRAUD PREVENTION AND DETECTION	11
APPENDIX 1 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE	12
APPENDIX 2 - AUDIT NEEDS ASSESSMENT	13
APPENDIX 3 – PERFORMANCE INDICATORS	14
APPENDIX 4 – SUMMARY OF AUDIT REPORTS AND FINDINGS FOR 2013/14	15
APPENDIX 5 - CUSTOMER SERVICE EXCELLENCE	32

Devon Audit Partnership

The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay and Devon councils. 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.

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.

Confidentiality and Disclosure Clause

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.

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.

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 2006 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 2013/14 was presented to and approved by the Audit Committee in March 2013. The following report and appendices set out the background to audit service provision; reviews work undertaken in 2013/14 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 1) and satisfy themselves from this assurance for signing the Annual Governance Statement.



Assurance Statement

Overall, and based on work performed during 2013/14 and that of our experience from previous years audit, Internal Audit is able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control framework.

However, our work within Children's Services has identified a number of issues of concern that are being considered and addressed by management, and these issues may require consideration by management for the Annual Governance Statement.

This assurance statement will support Members in their consideration for signing the Annual Governance Statement see appendix 1.

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

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

Directors have been provided with details of Internal Audit's opinion on each audit review carried out in 2013/14 to assist them with compilation of their individual annual governance assurance statements. If significant weaknesses have been identified in specific areas, these have been considered by the Authority in preparing its Annual Governance Statement which will be accompanying its published Statement of Accounts for 2013/14.

Work has been affected by notable planned changes this year where a large proportion of the plan for IT and Children's Services has been postponed. Those audits that have been delayed will be undertaken in the future. This has had an impact on the planned assurance work, however we feel, based on previous year's work, that the framework of control remains in operation. Further explanation is provided in the sections on Basis for Opinion and the Consequences of Change and Risk.

This statement of opinion is underpinned by :

Internal Control Framework

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

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

During 2013/14, core financial and administrative systems were reviewed by Internal Audit either through specific reviews (e.g. debtors creditors, payroll and main accounting system) or generally in the reviews undertaken in respect of directorate systems. The Council's overall internal control framework operated effectively during 2013/14, and where internal audit work has highlighted instances of none or part compliance, none have had a material impact on the Authority's affairs.

Risk Management

The new Risk Management process is still in its infancy. There is still work to be done to ensure the Council is operating a fully robust risk management methodology. The process is not yet fully embedded and has not as yet been disseminated to the operational risk management level.

Governance Arrangements

The Council's governance arrangements have been reviewed in the areas of information governance, data protection, records management and data sharing. Effective controls were found but a potential gap exists in staff knowledge and understanding of handling sensitive and high risk data.

Economy Efficiency & Effectiveness

The TOR2 Future State Process Project is designed to deliver more efficient processes, realise cost saving and improvements in service delivery.

Contracting arrangements in Children's Services found inadequacies in selection processes with inconsistent monitoring, which are now being addressed.

Basis for Opinion

The Chief Internal Auditor is required to provide the Council with an assurance 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, based on risk-based reviews and sample testing, that there are no major weaknesses in the system of control.

This report compares the work carried out with the work that was planned through risk assessment (see appendix 2); 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 comparison of internal audit activity during the year with that planned, placed in the context of internal audit need;
- a summary of significant fraud and irregularity investigations carried out during the year and anti-fraud arrangements; and
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives.

The extent to which our work has been affected by change of audit plan has been notable this year and we have not been able to meet the original audit plan for the Children's Services Directorate and for IT audit within the Operations and Finance Directorate due to changes in operational business needs.

Work has been deferred to future year's audit plans in consultation with the client and taking into account the related risk.

The scope of our audit work this year has been adversely affected and reduces the assurance that we are able to offer in relation to these areas.

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 2013/14, including those audits carried forward from 2012/13;

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.

Audit Authority

Service Provision

The Internal Audit (IA) Service for Torbay Council is delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Devon County Council, Torbay Council and Plymouth City Council constituted under section 20 of the Local Government Act 2000. The Partnership undertakes an objective programme of audits to ensure that there are sound and adequate internal controls in place across the whole of the Council. It also ensures that the Council's assets and interests are accounted for and safeguarded from error, fraud, waste, poor value for money or other losses.

Regulatory Role

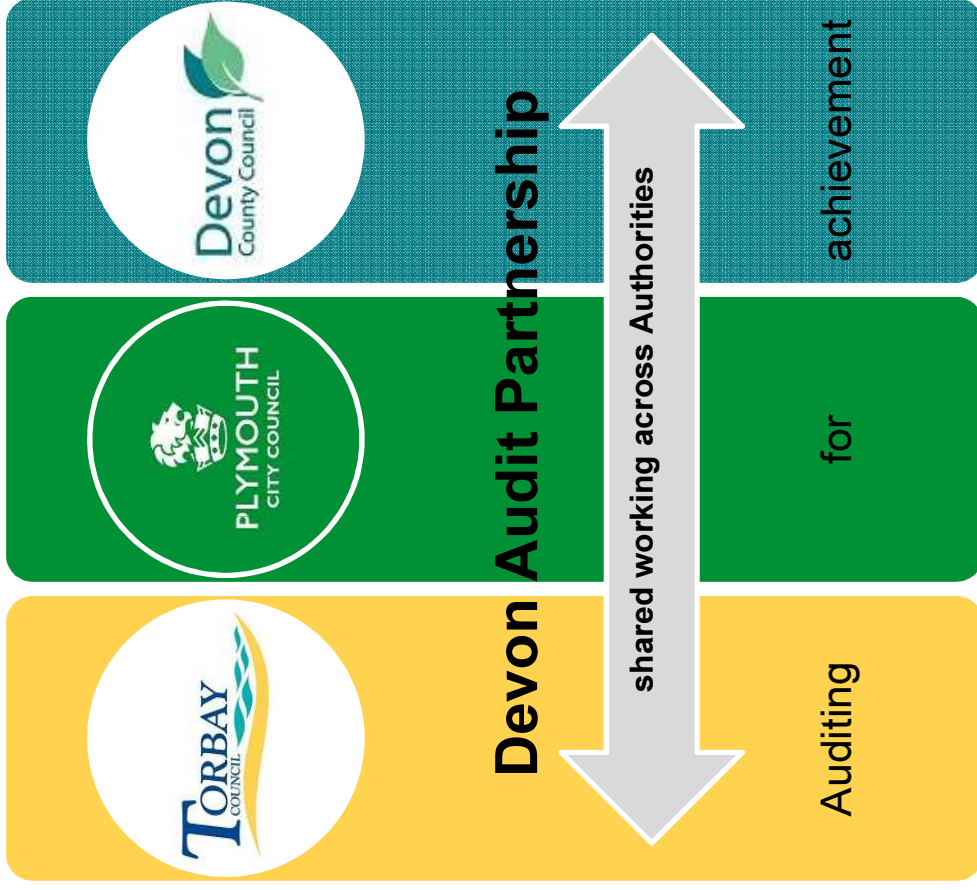
There are two principal pieces of legislation that impact upon internal audit in local authorities:

- **Section 6 of the Accounts and Audit Regulations (England) Regulations 2011** which states that ".....a relevant body must undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control"
- ".....a larger relevant body must, at least once in each year, conduct a review of the effectiveness of its internal audit"
- **Section 151 of the Local Government Act 1972**, which requires every local authority to make arrangements for the proper administration of its financial affairs.

Professional Guidelines

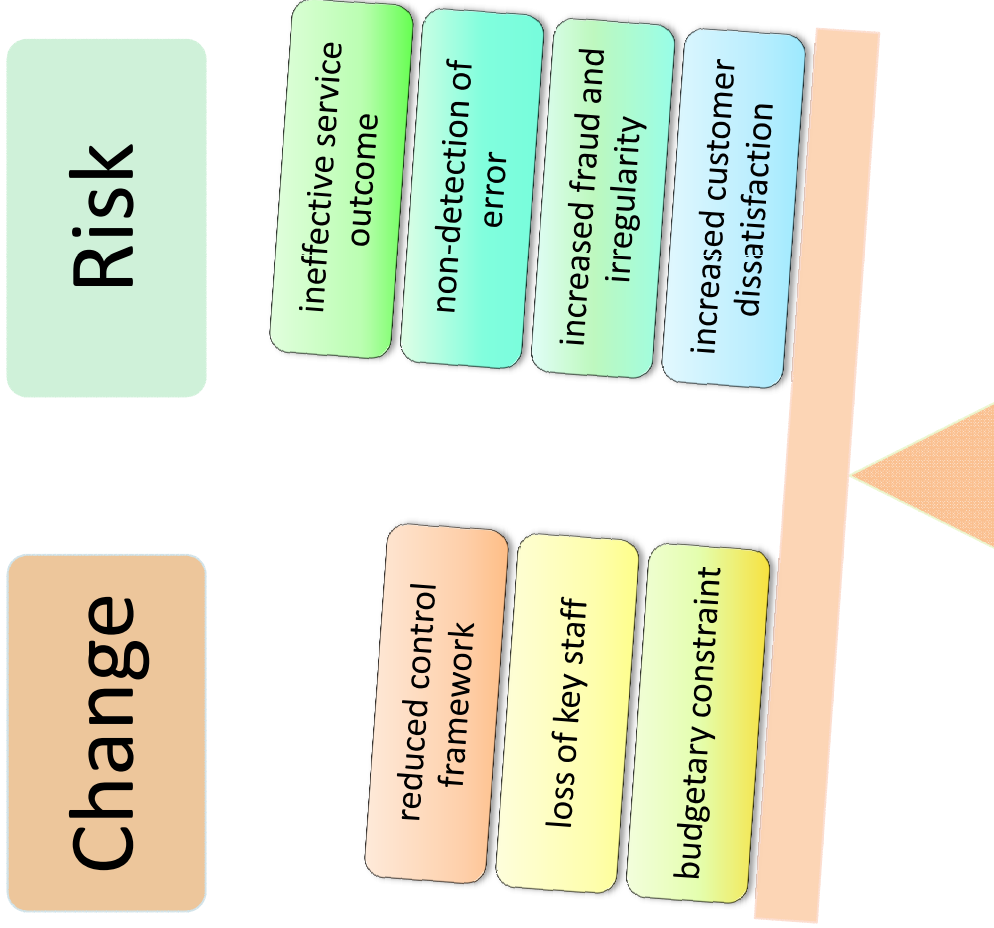
We work to professional guidelines which govern the scope, standards and conduct of Internal Audit as set down in the Public Sector Internal Audit Standards. We have been assessed as "conforming" to these standards and have completed our annual self assessment against PSIAS requirements.

Our Internal Audit Manual provides the method of work and Internal Audit works to and with the policies, procedures, rules and regulations established by the Authority. These include standing orders, schemes of delegation, financial regulations, conditions of service, anti-fraud and corruption strategies, fraud prevention procedures and codes of conduct, amongst others.



Internal Audit Strategy sets out how the service will be provided and the Internal Audit Charter describes the purpose, authority and principal responsibilities of the audit function.

The consequences of change and risk



Times are changing; the expectation of the public for services provided by the public sector has never been greater; yet the money that is available for these services needs to be reduced. All public sector organisations are looking at how services can be transformed; what worked in the last decade may not meet new challenges. The use of, and dependency on, IT for service delivery will only increase further; this brings rewards but also carries its own risk.

The Internal Audit function has a key role in helping management fully understand their risks and in designing effective and efficient controls that mitigate these risks to an acceptance level; a consistent application of a quality internal audit opinion assists the organisation to develop alternative and new delivery solutions that will deliver the service required.

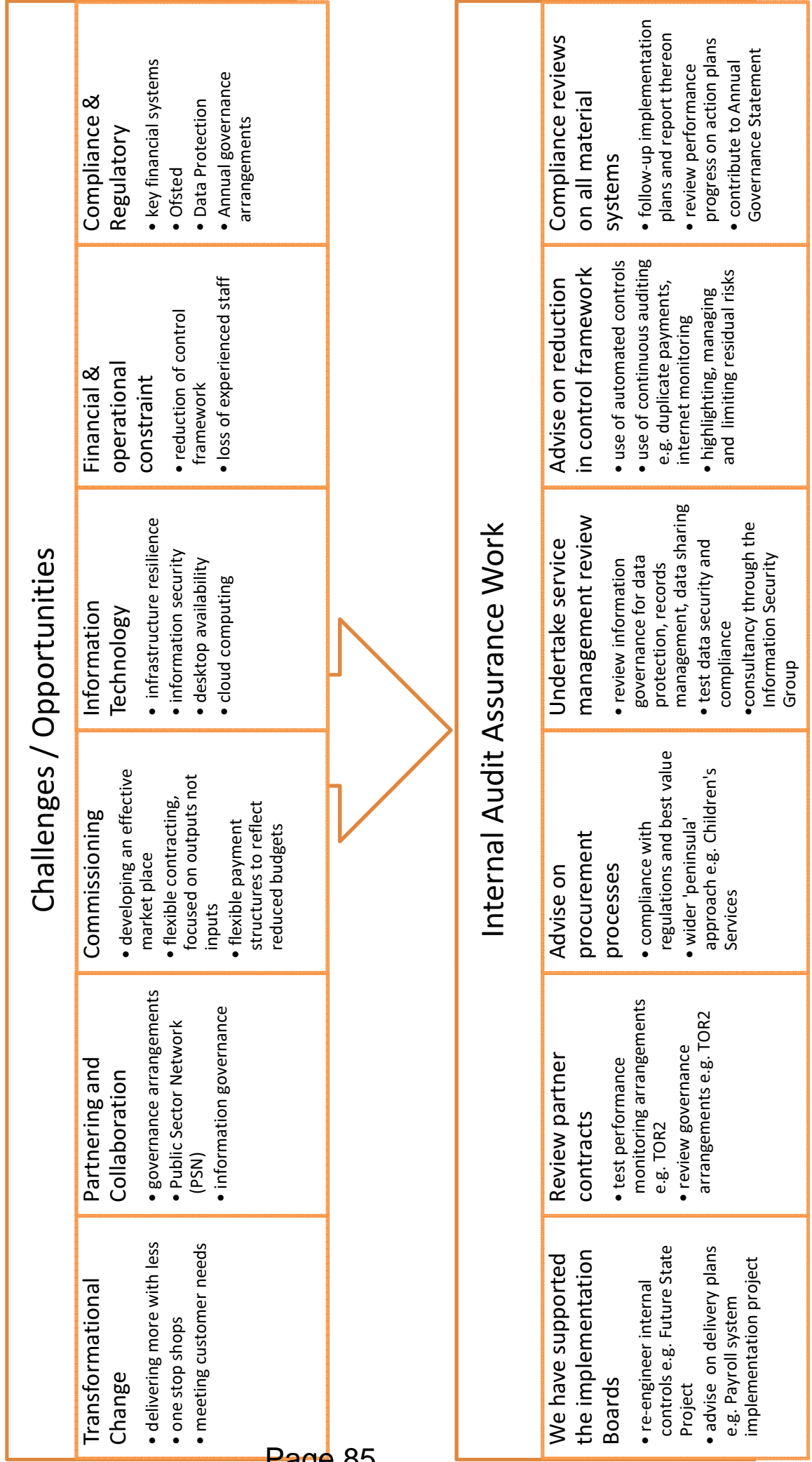
Our work this year has been tailored to meet the changing requirements of the Authority throughout the year. All of the changes and risks within this graphic have been observed and the impact of these has been of varying degrees of significance. The main impacts have been in the following areas:

The number of irregularity investigations has increased this year which may be as a consequence of reduction in the Authority's management structure due to national budgetary constraint and economic climate, resulting in a perpetuating cycle of a reducing control framework as a result of necessary management acceptance of risk due to resource constraint.

Changes in operational priorities and assessment of opportunities within specific Directorate areas have necessitated corresponding reductions in our audit work this year, but are a demonstration of proactive action by the Authority to limit the risk associated with budgetary constraint change and maintain effective service provision.

Business objectives – audit assurance overview

From consideration of the Authority's key challenges and opportunities it is facing we have provided assurance in these areas through our work over the year.



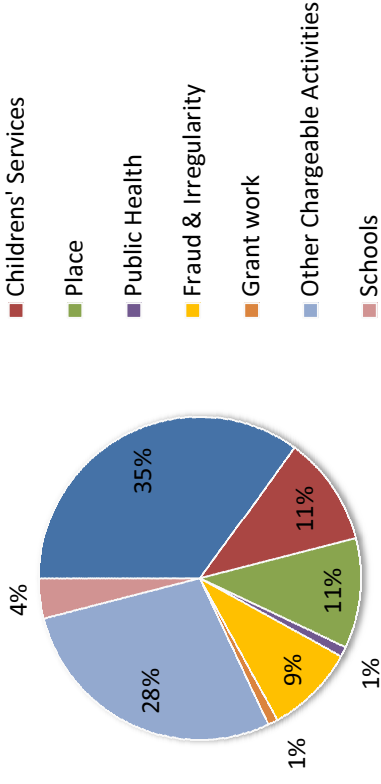
Audit Coverage and performance against plan

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

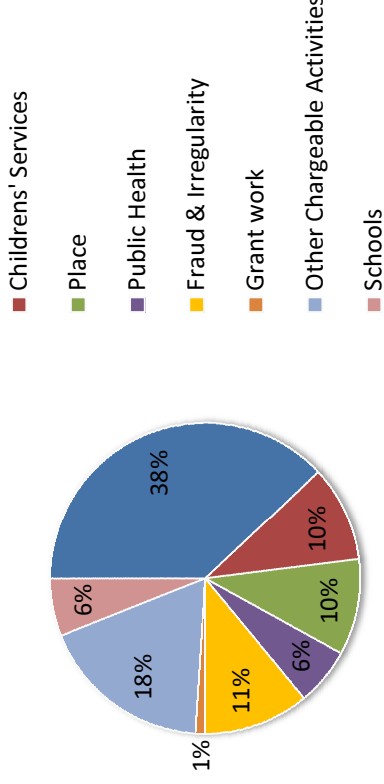
Appendix 3 shows the actual days of audit delivery in 2013/14 against the revised audit plan. It will be noticed that there was a small increase in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is 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.

Appendix 4 to this report provides a summary of the audits undertaken during 2013/14, 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.

Audit Plan 2013/14



Audit Delivery 2013/14



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 2013. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

Quality Assessment - the Head of Devon Audit Partnership 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. External Assessment provides assurance that against the Institute of Internal Auditors (IIA) Quality Assessment & Public Sector Internal Audit Standards (PSIAS) "DAP is considered to be operating in conformance with the standards" as reported to the Partnership Committee in July 2013.

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 2013.

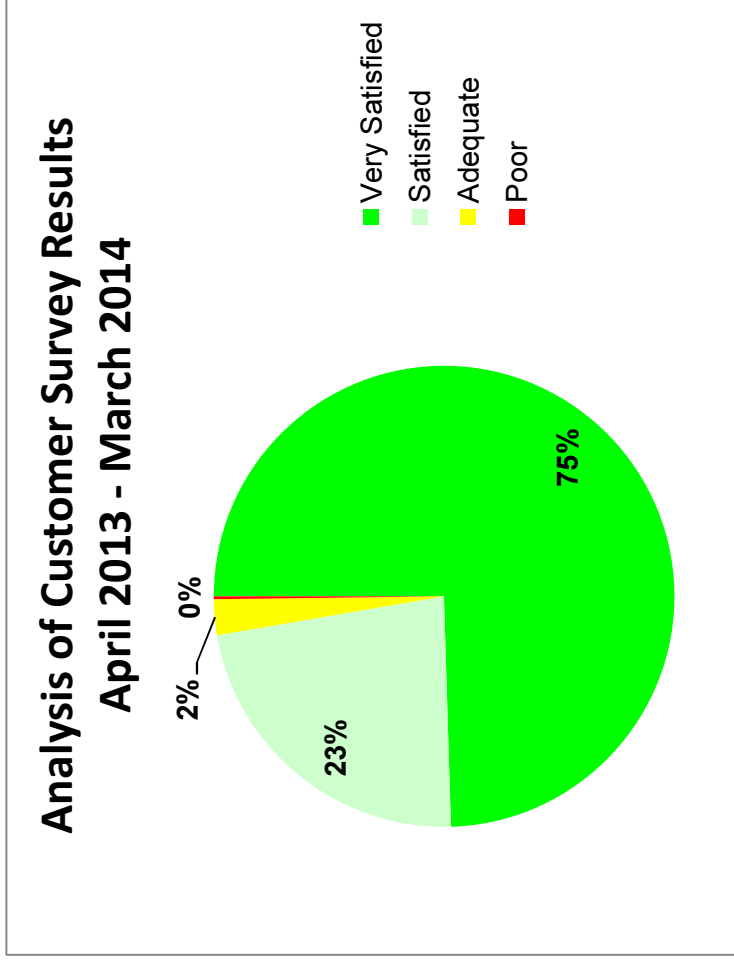
Performance Indicators

Overall, performance against the indicators has been good (see appendix 3). The targets were increased for some indicators in 2013/14 and it is acknowledged that percentage of audit plan completed is below the new target. We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Customer Service Excellence

DAP has been successful in re-accreditation by G4S Assessment Services of the CSE standard during the year.

During the period we issued client survey forms with our final reports. The results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 5. 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.



these and may be breaching statutory and Council rules. Work is underway to assess the current position.

Internal audit coverage and results

Operations and Finance

Based on audits completed and on indications from previous and on-going work, we are able to report that material systems controls have either been maintained, or improvements are being made to address previously identified weaknesses. Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them.

Linked to material systems work, a significant level of support in a 'quality assurance' role was provided to the Payroll / HR system implementation project; a decision was made in late 2013/14 to defer implementation of a new system. As a new system was not implemented within the 2013/14 year, there is no impact on our opinion of the material systems control environment.

For audits relating to other operational departments within the Directorate, some improvement areas have been identified, and we will continue to monitor the implementation of the agreed recommendations. In addition to these key areas, audits were undertaken of specific functions / elements and also a 'watching brief' was maintained, or direct advice provided, for a number of on-going projects.

The nature of ICT continues to be a constantly changing environment with continued emerging technologies and threats. Despite the challenges that this poses, the ICT team provide a good level of service in maintaining the ICT infrastructure within the resources available to them but risks to the service remain high. A key strategic risk in relation to ICT remains the ability to maintain the infrastructure going forward particularly in light of the continued budget pressures and associated organisational shrinkage. It is understood that IT Infrastructure is being considered for inclusion within the revised strategic management framework.

The Corporate Procurement Team provides the Council's service teams with a framework of guidance, advice, systems and templates to enable those departments to procure appropriately. However, there was evidence back in 2012/13 that not all departments were making effective use of

Public Health

Based on audits completed to date, we are yet to be able to report that, with the exception below, there are adequate controls in this Directorate.

A 'fundamental weaknesses' opinion has been given in the area of Food Safety, Health & Welfare, Licensing, and Trading Standards. This is primarily due to food safety inspection levels, and is concerning given the potential impact on public health. Our follow-up in January of the key issue in found there had been insufficient time to appoint a member of staff to address the inspections. Management are aware of the findings and related recommendations, and, where subsequent action is agreed, we shall undertake further follow up work to ensure that the identified risks have been mitigated.

Work undertaken in the area of Health & Safety found that improvements were required due to the lack of enforcement and monitoring in relation to departmental compliance with the H&S policy generally and completion of training courses.

Place

Based on audits completed and on indications from the previous and ongoing work, we have found that the majority of areas audited within Place are demonstrating an improvement in the control environment.

Whilst a number of weaknesses exist, management are aware of these issues, and have either accepted the related risk, or are taking action to address them. We will continue to monitor the implementation of the agreed recommendations.

In addition to these key areas, audits were undertaken of specific functions / elements and also a 'watching brief' was maintained, or direct advice provided, for a number of on-going projects including the South Devon Link Road.

Childrens' Services

The audit of Fostering has highlighted issues with regard to the timely completion and processing of documentation in respect of in-house foster care placements ending. Our review found that payments continued to be made to foster carers due to the instruction to cease payment not being promptly provided. The situation was further exacerbated by lack of recovery action to reclaim such overpayments which in certain individual cases relate to significant amounts of money.

The review of the financial and administrative processes and procedures in place at Parkfield identified significant shortcomings in a number of areas; income collection and reconciliation, inventory management and control along with issues around contracting and the compliance with and following of the requirements of financial regulations and contract standing orders.

The review of Contracting within Children's Services found a significant number of weaknesses in the sample of placements tested where the following could not be found: formal authorisation of costs, formal options appraisal, tracker form recording the tender process and identifying reason for choice of final provider, joint funding considerations, pre-qualification checks. It should be noted that this particular audit is still in draft format and a meeting not yet held to discuss the findings made.

The findings from our audits of Parkfield and Contracting with Children's Services are currently flagged as providing issues for consideration by management for the Annual Governance Statement.

Two significant whistleblowing referrals were received late in 2013/14 and their investigation remains ongoing.

Schools

We have made good progress in the delivery of our audit plan to schools and schools have again been very appreciative of the quality of our service. The requirements to meet the challenges through change to the SFVS are significant. We are focusing all of our effort to achieve the targets and support schools to the fullest of our ability.

The number of maintained schools continues to reduce with conversion to academy schools and consequently our work level with this, although several academy schools continue our audit services.

Schools have completed their school financial value standard returns. Our audit of these during the course of our review continues to find improvement opportunities in:

- clarity of governors business;
- financing of improvement plans;
- evidence of procurement;
- business continuity plans.

Our opinion is that the systems and controls in schools mitigate the risks identified in many areas. Although specific risks have been identified on the core element of the audit review at some schools, recommendations have been made to reduce risks and in other areas and are made to strengthen what are reliable procedures.

Fraud Prevention and Detection

Fraud Prevention and Detection and the National Fraud Initiative

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. With regard to the 2013/14 NFI, the data sets have now been reviewed by Internal Audit or the relevant department / team of Torbay Council, and a small number of matches are still being investigated by Housing Benefits. Key findings are:

- Nearly £30K of savings identified – predominantly within benefits claims.
- Internal Audit has reviewed the payroll and creditor payments related data sets, and with the exception of a small amount of duplicate payments to suppliers (less than £1,200), has identified no issues or evidence of employment fraud, conflicts of interest or issues regarding rights to work in the UK.
- Additional data sets matching using the new Flexible / Real Time Matching Service was undertaken, but did not reveal any further frauds. Other data sets will be investigated as these become available

Proactive work to target possible Blue Badge fraud is planned to take place in 2014/15, involving collaboration with counter fraud and Blue Badge administration staff at the Torbay and Southern Devon Health and Care Trust, and parking enforcement officers at Torbay Council.

Irregularities - During 2013/14, Internal Audit have carried out, or assisted in a total of 20 new irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

<u>Issue</u>	<u>Number of Cases</u>
IT Misuse	5
Financial Irregularity	4
Theft	2
Employee Conduct	6
Poor Procedures	2
Misuse of Council Assets	1

As can be seen from above, the range of alleged irregularities and numbers does not suggest any one specific problem area, although as a result of a FOI request, and the subsequent investigation, it has been requested that Internal Audit begin an ongoing six monthly internet monitoring exercise to establish if staff access to the Internet is being abused. This work started from the beginning of 2014/15.

The details of these irregularities have been reported to Directors, and where appropriate or relevant have been mentioned within the directorate's findings above.

Appendix 1 - 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.

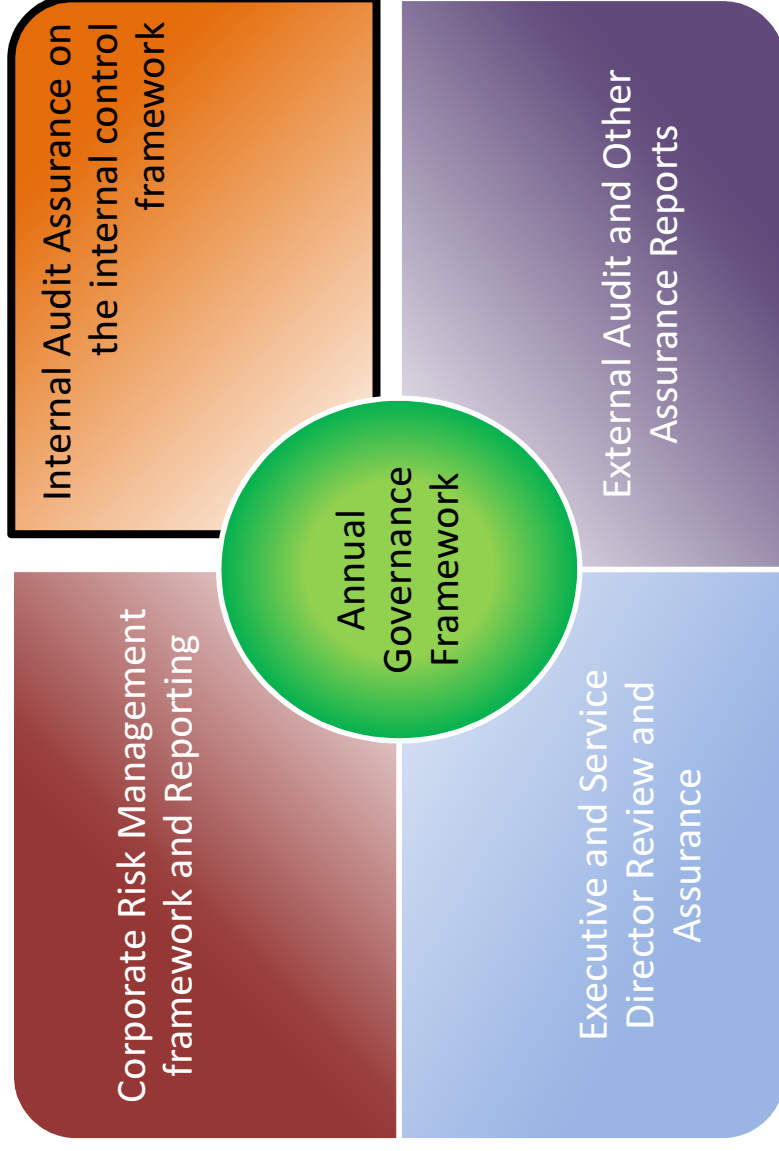
- The Annual Governance Statement provides assurance that
- the Authority's policies have been complied with in practice;
 - high quality services are delivered efficiently and effectively;
 - ethical standards are met;
 - laws and regulations are complied with;
 - processes are adhered to;
 - performance 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 Executive Director and Leader of the Council;
- 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.

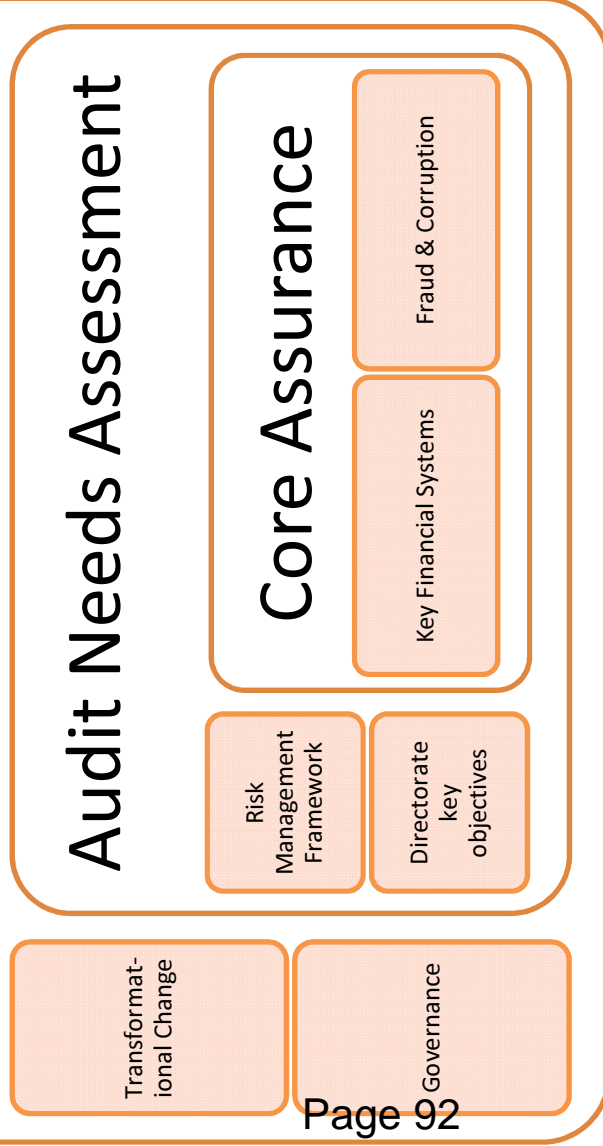


The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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 2 - Audit Needs Assessment

Audit Universe



We employ a risk based priority audit planning tool to identify those areas where audit resources can be most usefully targeted. This involves scoring a range of systems, services and functions across the whole Authority, known as the “Audit Universe” using a number of factors/criteria. The final score, or risk factor for each area, together with a priority ranking, then determines an initial schedule of priorities for audit attention.

The resultant Internal Audit Plan for 2013/14 was built from this assessment.

The audit plan for 2013/14 plan has been created by:

Consideration of risks identified in the Authority’s strategic and operational risk registers

Review and update of the audit universe

Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

Taking into account Internal Audit’s knowledge and experience of the risks facing the Authority, including factors and systems that are key to successful achievement of the Council’s delivery plans

Requirements to provide a “collaborative audit” approach with the external auditors

Appendix 3 – 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)	2012/13		2012/13		2013/14	
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	95%	99%	100%	100%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	90%	93.1%	93%	93%	93%	90.4%
Actual Audit Days as percentage of planned (Inc. Schools)	90%	95%	95%	95%	95%	105.9%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	66.1%	65%	66.1%	65%	69.3
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	98%	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	98%	90%	98%	90%	83.2%
Final reports produced within target number of days (currently 10 days)	90%	99%	90%	99%	90%	88.6%
Average level of sickness absence (DAP as a whole)	2%	2.9%	2%	2.9%	2%	3%
Percentage of staff turnover (DAP as a whole)	5%	8.5%	5%	8.5% (3 people)	5%	3%
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

Overall, performance against the indicators has been very good. We are aware that some of our draft and final reports were not issued to the customer within the agreed timeframes (15 working days for draft report and 10 working days for final report). We have identified areas where performance has been poor, and are working with our staff to ensure improvement is achieved.

Appendix 4 – Summary of audit reports and findings for 2013/14

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

Assurance Progress 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.



Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Material Systems					
FIMS System Administration	ANA - Medium	Final	Good Standard	FIMS is effectively managed with robust processes and controls including comprehensive and effective reconciliation processes, robust access management, recorded change control and business continuity arrangements. The processes are fully supported with complete and disseminated policies and procedures for both the System Administration team (FIMS Sys Admin) and the system users. Training is provided and data quality expectations stated to support correct use of the system and the achievement of accurate data.	
UKPMS System	ANA - Medium	Final	Improvements Required	There are adequate system controls in place to enable the appropriate carriageway data to be collected; and the correct calculation methodology has been applied, enabling an accurate estimate of the DRC to be made. In relation to other infrastructure assets, the Authority is currently not in a position to be able to measure, and hence disclose them accurately on a DRC basis. This is due to there being insufficiently detailed inventory data available to populate the required calculation spreadsheets. If remedial action is not undertaken to address the issues highlighted before CIPFA's Transport Infrastructure Code is fully adopted, there is a risk that the Authority's accounts will be qualified. The same qualification risk applies to the 2013/14 WGA return, should this require auditing.	

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Discretionary Social Fund (Crisis Support)	ANA - High	Final	Improvements Required	<p>A comprehensive scheme is in place, and proper processes were followed before its introduction, including a full option appraisal and risk assessment. The scheme has been sufficiently and appropriately publicised on the Authority's internet site, and in its 'Connections' offices. The processing of claims was found to have been done in a timely manner, however sample testing found a lack of documented evidence in relation to the claimant's circumstances, and also in relation to the decision making process itself. It was therefore difficult to assess whether the awards made were appropriate, and in line with scheme guidelines.</p> <p>There are good controls around the handling of vouchers and post office bar codes; and where payments have been made to third parties for individual items, for example furniture; however improvements are required in relation to the payment of bulk invoices.</p> <p>We have also recommended that reconciliation issues between the discretionary module in IBS and the main accounting system are resolved as soon as possible to enable information to be uploaded completely and accurately into the ledger.</p>	
Council Tax Support Scheme	ANA - High	Final	High Standard	<p>The new Council Tax Support (CTS) scheme was approved before the start of the financial year, and is in line with Government requirements. A comprehensive option appraisal was undertaken after extensive consultation, and the scheme is well publicised.</p> <p>The Revenues and Benefits team have ensured the smooth transition from the previous CTB scheme to the new CTS scheme, undertaking robust system testing before the scheme went live at the beginning of the 2013/14 financial year.</p>	

Operations and Finance				
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		
		Status	Assurance Opinion	Executive Summary
Assurance Progress RAG Score				
IBS System Administration	ANA - High	Final	Good Standard	<p>Assurance for these 2012/13 key financial systems audits was reported in the 2013/14 half year report; please refer to that report for details.</p> <p>The timing annual audit work to provide assurance in relation to the key financial systems results in a number of these audits being completed in the first quarter of the following year; hence the work for 2013/14 is in progress at the time of reporting. No issues of concern have been identified in our 2013/14 fieldwork to date.</p> <p>The 2012/13 assurance opinions are provided here for completeness in relation to our overall Assurance Statement.</p> <p>A comprehensive Treasury Management Strategy is in place and complies with the current CIPFA Code of Practice. The TM team continues to have a strong working relationship with its chosen advisor Recommendations have been made to further strengthen existing controls, ensuring that all relevant documentation is completed and retained; that outstanding training is undertaken; that the Council's external fund manager, are properly monitored to ensure compliance with the Annual Investment Strategy; and that there is effective separation of duty when reconciling borrowing activity to the main accounting system.</p>
Asset Register	ANA - Medium	Final	Good Standard	
Bank Reconciliation	ANA - Medium	Final	Good Standard	
Benefits	ANA - Medium	Final	Good Standard	
Purchase Order Processing (POP)	ANA - Medium	Final	Good Standard	
Council Tax and NNDR	ANA - Medium	Final	Improvement Required	
Debtors	ANA - Medium	Final	Good Standard	
Payroll	ANA - Critical	Final	Improvement Required	
Treasury Management	ANA - Low	Final	Good Standard	

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Creditors	ANA - High	Final	Improvements Required	<p>The processing procedures and practices are robust and a high degree of accuracy continues to be achieved leading to data quality, correct payments and the achievement of performance targets. It is pleasing to acknowledge that again the audit has not identified any processing errors.</p> <p>Although outside the direct control of the Payments Team, the issues relating to the weaknesses in the cheque printing control environment and the lack of segregation of duty in the access rights for CHAPS have impacted on the assurance opinion that can be provided in relation to the generation of output.</p> <p>Weaknesses exist in the control environment in relation to the operation of payment authorisation controls. Whilst the associated risks have previously been accepted by management, it is acknowledged that a project to automate manual processing that combines effective authorisation controls is underway; system issues have impacted project progress during 2013/14.</p>	
Corporate Debt	ANA - High	Draft	Improvements Required	<p>The Corporate Debt team is a relatively small team that are responsible for the recovery of debts and providing cover in the Income Collection office which leads to a lack of segregation of duty; the associated risks are accepted by management.</p> <p>Regulatory requirements are being met, but areas of best practice including the maintenance of comprehensive procedures, debt strategy, use of quality control and exception reporting, and performance reporting could be improved.</p> <p>A recovery timetable is established and debt is being recovered, but inconsistencies in practice were identified along with opportunity to improve existing processes and resolve the acknowledged system issue, in order to mitigate the risk of debt becoming unrecoverable due to delay in recovery action.</p>	 *

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Income Collection	ANA - Medium	Draft	Good Standard	<p>The Income Collection team continues to maintain effective procedures and systems for receiving, recording and processing payments. Relevant receipting practices ensure that every transaction is uniquely identifiable and effective reconciliation processes ensure that all income is accounted for accurately. The Audit Opinion reflects the quality of controls and the effectiveness of their operation in relation to these core functions.</p> <p>The control weaknesses identified mainly to relate to the hosted Web Pay system or the operation of the system and as such recommendations have been made to improve the system administration. Other peripheral issues have been identified in relation to meeting H&S expectations and the adequacy of insurance, along with the already acknowledged risks in relation to segregation of duty and Council wide PCI compliance of which the latter is not the direct responsibility of the Income Collection team.</p>	 *
Main Accounting System	ANA - Medium	Draft	Good Standard	<p>A well established and robust control framework for the maintenance of FIMS Main Accounting System ensures the integrity of the accounting data which is subsequently used to produce the Statement of Accounts and inform the Council's budgetary requirements.</p>	 *
<p>The following audits are in progress at year end.</p> <ul style="list-style-type: none"> - Payroll system – procurement and implementation (ANA - Critical) - Benefits 2013/14 (ANA - Medium) - Council Tax and NDR 2013/14 (ANA - Medium) - IBS System Administration 2013/14 (ANA - Medium) - Purchase Order Processing (POP) 2013/14 (ANA - Medium) - Bank Reconciliation 2013/14 (ANA - Medium) - Debtors 2013/14 (ANA - Medium) 					
<p>It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.</p>					
<p>The following audits were deferred to facilitate preferred timing of the audit in the first quarter of 2014/15.</p> <ul style="list-style-type: none"> - Payroll 2013/14 (ANA - Critical) - Asset Register 2013/14 (ANA - Medium) 					

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
IT audit					
Information Governance, Data Protection, Records management and Security	ANA - Critical	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Hosted Services	ANA - Critical	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Data Security, BCP, Disaster Recovery	ANA - High	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
IT Asset Management	ANA - Critical	Draft	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
PCI Compliance	ANA - High	Ongoing	Not applicable	Further progress has been now made in overcoming significant technical and contractual issues. Internal Audit are continuing to monitor progress in achieving full PCI compliance, and will further monitor progress to achieving compliance with the forthcoming new PCI compliance standard. Internal Audit is providing significant support in terms of drafting a corporate PCI policy and this is being progressed through the organisation's Information Security Group with the intention of it formulating part of the existing DISP policy framework. A key issue that remains is a lack of ownership of PCI corporately. Again, this is to be discussed within the Information Security Group.	
Internet & Email Software	Client Request	Ongoing, as required	Not applicable	This has reduced in 2013/14 since passing the management of the Internet and Email software over to IG in conjunction with ICT support, and as a result of changes to the Surf Control licence. Where required, we continue to provide support in monitoring the rule base and producing activity reports for customers as requested / required depending on organisational need. In some instances these may lead to formal investigations.	Not applicable

Operations and Finance

Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Security Policy Review	Client Request	Ongoing	Not applicable	<p>Support continues to be provided in the form of attendance and active participation in the Information Security Group. This has primarily involved regular meetings and ad-hoc communication as required, and initial and ongoing activity has been supporting the significant project of developing, launching and now maintaining the DISP policy framework.</p> <p>Work continues at the request of the client in terms of meeting attendance, and of late, specifically includes support directly to the Exec Head of ICT and IG officer in relation to development and launch of an End User Computing policy. In addition, recently the PCI policy has fallen within the remit of this group, as outlined above. It is expected support will continue as required by the client. The group also focusses on emerging issues, which ensures that in some cases the Council are leaders in certain areas.</p>	Not Applicable
<p>The following audits are in progress at year end.</p> <ul style="list-style-type: none"> - IT IS Strategy - Website Content Management (ANA - Low) - Social Networking and Media (ANA - Low) <p>It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.</p>					
<p>The following audits were deferred</p> <ul style="list-style-type: none"> - Partnership working (ANA - High) - Secure Data Transfer Project (Client Request) - Health Transfer (ANA – High) - Mobile Device Management (ANA – Critical) - File Storage (ANA – Critical) - Thin Client Planning and Roll Out (ANA – High) - Voice Network (ANA - Medium) <p>The following audits were cancelled as no longer required</p> <ul style="list-style-type: none"> - TCT New SCCR database implementation (ANA - Critical) - IT Risk Assessment (Client Request) 					

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Other					
Commercial Services - Legal Services (litigation and licensing)	ANA - high	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Risk Management and Risk Register	ANA - High	Final	Improvements Required	<p>As the new Risk Management process is in its infancy we are unable to provide an audit opinion of a fully established process, so this opinion is based upon theoretical practices and initial operation.</p> <p>There is still work being done to ensure that the Council is operating a fully robust Risk Management methodology. Our initial review suggests that this could be a more integrated dynamic approach to Risk Management.</p> <p>Based upon the status of the practical application of the revised strategic risk management methodology our audit opinion of 'improvements required' reflects that the process is not yet fully embedded and has not as yet been disseminated to the operational risk management level.</p> <p>The gradual roll out of the new approach provides a continuous learning opportunity whereby the processes are subject to ongoing development. However, although the strategic risk management process appears to be a more robust methodology, issues have been identified with the effectiveness of the initial identification of risks, and a lack of integration throughout the organisation in terms of linkage between operational risks, strategic risks, business continuity and disaster recovery.</p>	
Democratic Representation and Management	ANA - Medium	Draft	Good Standard	<p>Democratic Representation and Management is essentially a well-controlled service area. There are adequate procedures in place, and, with a small number of minor exceptions, these are followed in practice.</p> <p>We have made a number of recommendations to potentially improve the service, including considerations relating to the effect of future departmental changes on delivering the minimum statutory service requirements.</p>	

Operations and Finance					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
<p>The following audits are in progress at year end.</p> <ul style="list-style-type: none"> - Procurement - Contract Compliance (ANA - High) - Business Change - Disposal of assets linked to CCRP/ORP (ANA - High) <p>It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.</p>					
<p>The following audits were deferred</p> <ul style="list-style-type: none"> - Elections (ANA - Medium) - Performance, Partnership & Research - Fair decision making process (ANA - High) 					



Public Health					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
Housing Standards	ANA - High	Final	Good Standard	Assurance was reported in the half year report; please refer to that report for details.	
Health and Safety	ANA - Low	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.	
Food Safety, Health & Welfare, Licensing, & Trading Standards	ANA - Medium	Final	Fundamental Weaknesses	<p>Despite the Audit Opinion given, the Service was found to have rigorous procedures that are effectively operated by competent and knowledgeable staff. The current Local Government climate has resulted in a reduction in available resource within the service which has impacted inspection levels achieved.</p> <p>The Audit Opinion of 'Fundamental Weaknesses' is based upon the critical risk to public health, particularly in relation to the Food Safety inspection levels. Despite many food premises being inspected, the nature of this work along with work such as Licensing, Trading Standards and Health & Safety, is problematic in terms of allocating set / standard resources and time scales to tasks such as inspections.</p>	
Transfer of Public Health Service	ANA – Critical	Draft	Good Standard	<p>The Public Health Transition Project was well managed and delivered against the required milestones.</p> <p>We recommend that a comprehensive workforce planning exercise is undertaken to ensure that the public health team continue to have the right skills mix and capacity to deliver the public health programme.</p> <p>Good collaborative working was demonstrated ensuring business continuity during the transition and post transfer. Concerns around the areas of possible non-compliance regarding information governance were considered during the transition stage and we recommend that this risk be reviewed post transfer.</p> <p>The Council needs to ensure that Public Health emergency planning is fully integrated within the Council's current emergency planning policies and procedures.</p> <p>The Service does undertake preventative work, however, due to the reduction in resources this is likely to reduce, placing further pressure on</p>	

Public Health					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				the current service, as these proactive activities reduce the likelihood of future interventions being required. This poses a risk to Public Health and a secondary risk to the Council of possible legal challenge and associated reputational damage.	
<p>The following audits are in progress of completion at year end.</p> <ul style="list-style-type: none"> - Health and Wellbeing Board (ANA - High) - Bereavement Services (ANA - Low) - Community Safety – Safer Communities (ANA – High) <p>It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.</p>					


Place		Audit Report				Assurance Progress RAG Score
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary		
Business Improvement Districts	ANA - Medium	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.		
TOR2 Contract Monitoring	ANA - High	Final	Improvements Required	<p>The status for 2012/13 was that improvements to TOR2, both operationally and from a contract monitoring perspective, have been evident since the first audit review in 2010/11.</p> <p>The overall audit opinion for that year stated 'Improvements Required' – however, the direction of travel was one of 'improvements made', with Corporate Governance issues representing the over-riding audit concern.</p> <p>For 2013/14, audit review work is being finalised and the report is expected to continue it's 'Improvements Required' opinion. Additionally, Audit have provided a project assurance role on the Future State Board, and given assistance on various related work streams introducing more efficient processes and structures in line with required budget pressures. This role will continue into 2014/15 alongside a continued oversight of the Council's management / monitoring of the TOR2 contract.</p>		
English Riviera Tourism Company	High	Final	Good Standard	<p>During the year significant progress has been made towards further consolidating the interests of the tourism activities and industry of the Bay through the publication for the first time of a single tourist guide for the Bay.</p> <p>The on-line presence of the ERTC has also been improved through the use of a local specialist consultancy company, and visitor numbers to the Bay have held up well compared with other comparable resorts despite the economic recession and poor weather, and Torbay received excellent feedback ratings through the internationally based Trip Advisor website.</p> <p>It is presently anticipated that further cuts will be forthcoming in 2014/15 and 2015/16 that will further impact on the infrastructure of the ERTC. As a result, continued pro-active development of the existing promotional partnership programme, and other initiatives will be</p>		

Place		Audit Report				Assurance Progress RAG Score
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary	Assurance Progress RAG Score	
				<p>required to address these on-going central funding shortfalls</p> <p>In our opinion, the Company's accounting procedures and administration remain of a high standard, with budgetary variances being closely monitored, and reported to the Finance Sub-Committee of the Board.</p>		
DVLA Non-fee Paying Audit	Client Request	Completed	Not Applicable	<p>The DVLA provide vehicle keeper details to Torbay Council Parking Services on request. However details can only be requested in specific circumstances, for example, where the PCN has not been paid and keeper details are required to progress recovery or where a PCN needs to be issued by post.</p> <p>The DVLA has a duty to protect the data it holds, and requested an audit to be undertaken to provide assurance on the release of its data to third parties. This involved the completion of an 'Annual Governance and Contract Compliance Assessment', which included providing additional detail on a sample of data requests submitted. It was completed in conjunction with Parking Services.</p>	Not applicable	
South Devon Link Road	ANA - Critical	Completed	Not Applicable	<p>Devon Audit Partnership have kept a watching brief of progress with the scheme.</p>	Not applicable	
Climate Change (CRC Scheme)	ANA - Medium	Completed	Certified	<p>Records were found to be of a good standard and the Carbon Reduction Commitment (CRC) Energy Efficiency Scheme certificate was issued by the deadline of 31st July 2013.</p>		
Torbay Coast and Countryside Trust	ANA - Medium	Draft	Improvements Required	<p>The Trust's key financial constraint remains the inability to obtain adequate funding to help further develop the Trust's activities, and repay the overdraft and bank loan.</p> <p>Funding from Torbay Council may be reduced in the light of present budgetary constraints. As a result, there is an urgent need to continue to</p>		

Place		Audit Report			Assurance Progress RAG Score
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary	
				<p>further develop commercial activities, and also to continue to identify, exploit and expand opportunities for commercial partnerships and to secure further external income and capital.</p> <p>A new revised business recovery plan needs to be generated in the light of present initiatives and activities, and budgets and cash flow projections revised accordingly.</p> <p>The opportunity should also be taken to ensure that liaison with other agencies in the Bay is further developed through the establishment of an inter-agency forum to allow the pro-active discussion, development and evolution of a common 'road map' to give greater cohesion and mutual understanding of shared strategic and operational goals.</p>	
Economic Development Company - Cockington Court	ANA - High	Draft	Good Standard	<p>A Centre Director was appointed in August 2012, and progress has been made in developing and evolving Cockington Court into a viable and profitable business entity.</p> <p>A business plan was prepared for grant claim purposes, and this now needs urgently to be brought up to date in the light of current trading conditions, and future trading expectations. A revised budget also needs to be set along similar lines, linked to the revised business plan. The budget setting process should be revisited to ensure that adequate input is received from the Centre Director.</p> <p>On-going coordination and cooperation between Cockington Court and the Torbay Coast and Countryside Trust should be continued and strengthened to ensure that promotional opportunities are optimised, and that daily operational issues are swiftly and pro-actively resolved.</p> <p>The opportunity should also be taken to ensure that liaison with other agencies in the Bay is further developed through the establishment of an inter-agency forum to allow the pro-active discussion, development and evolution of a common 'road map' to give greater cohesion and mutual understanding of shared strategic and operational goals.</p>	

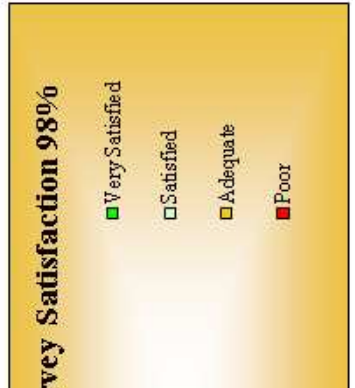
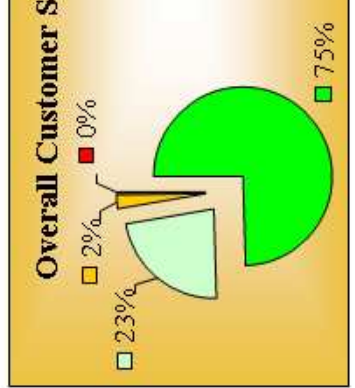
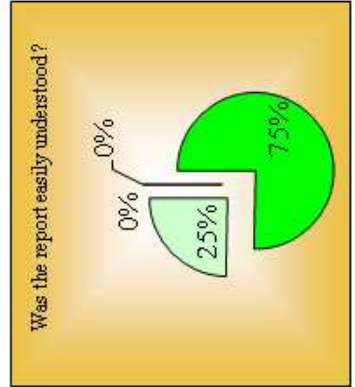
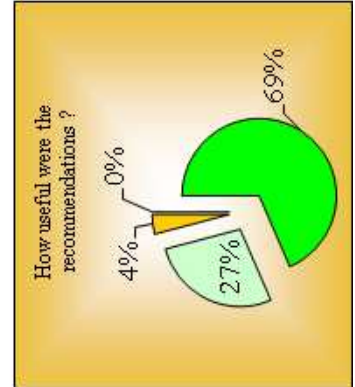
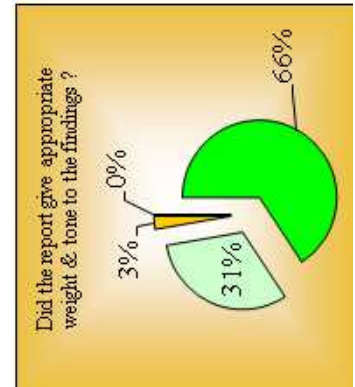
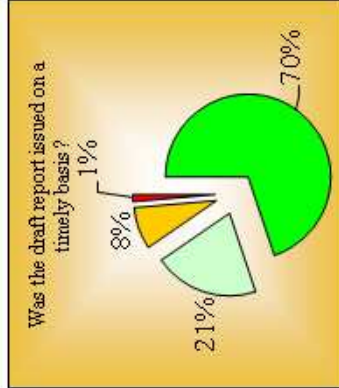
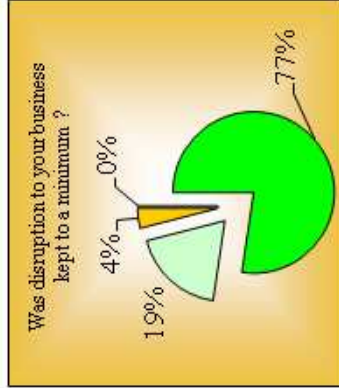
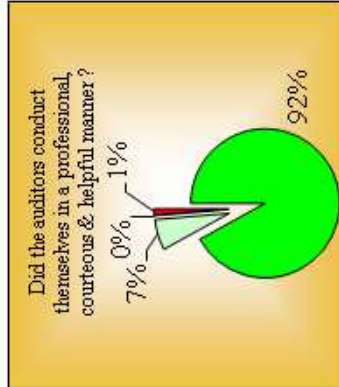
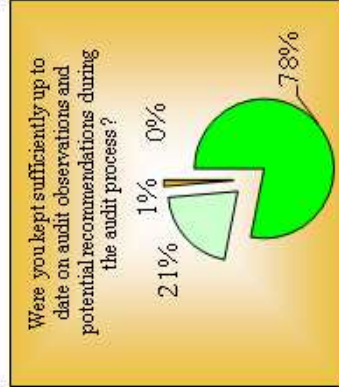
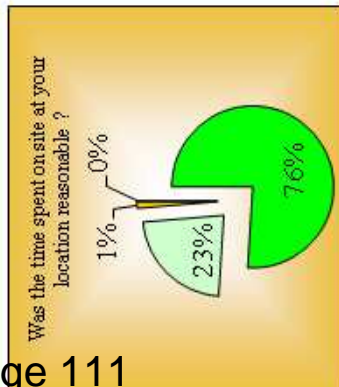
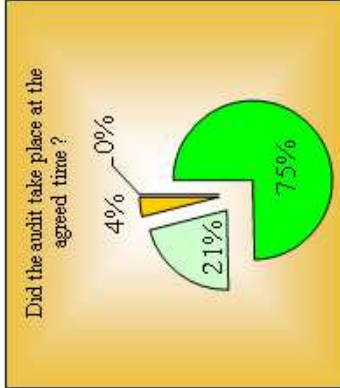
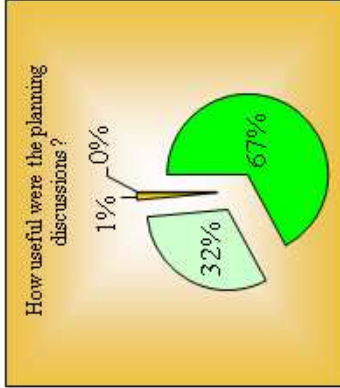
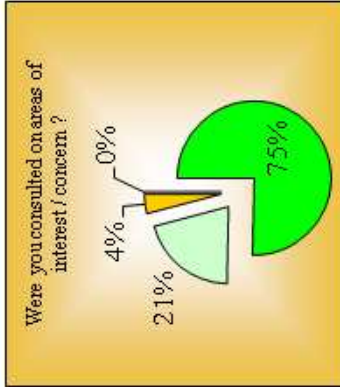
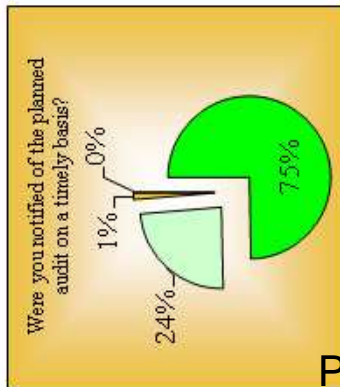
Place				
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report		Assurance Progress RAG Score
		Status	Assurance Opinion	
Parking Services	ANA - High	Draft	Improvements Required	<p>Existing procedures need to be improved, and in many cases developed, to ensure that there is a comprehensive basis for Parking Services functional activity.</p> <p>Controls do not adequately mitigate the risks identified within the report and accordingly recommendations have been made to improve controls in relation to system parameter changes, system administration, reconciliation, stock control and quality assurance processes.</p> 
<p>The following audits are in progress at year end.</p> <ul style="list-style-type: none"> - TOR2 Contract Monitoring – Follow Up & Future State Mapping Project 2013/14 (ANA risk - High) - Transport - Strategic and Operational (ANA - High) - Tor Bay Harbour Authority (ANA - Medium) <p>It is anticipated that the reports will be issued & agreed in the first quarter of 2014/15. No issues of major concern have been identified from our fieldwork to date.</p>				
<p>The following audits were deferred</p> <ul style="list-style-type: none"> - Section 106 (ANA - Medium) - Economic Development Company 2013-14 (ANA - High) - English Riviera Tourism Company 2013-14 (ANA - Medium) 				
Grants – the majority of which relate to 2012/13, but audited as part of the 2013/14 plan				
Local Sustainable Transport Fund	Client Request	Completed	Certified	No issues identified 
DECC Fuel Poverty Grant	Client Request	Completed	Certified	No issues identified 
Bus Operators Grant	Client Request	Completed	Certified	No issues identified 

Children's Services		Audit Report				Assurance Progress RAG Score
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Status	Assurance Opinion	Executive Summary		
Fostering	ANA - Medium Risk	Final	Improvements Required	Assurance was reported in the half year report; please refer to that report for details.		
Parkfield (My Place)	ANA - High Risk	Final	Fundamental Weakness	Assurance was reported in the half year report; please refer to that report for details.		
Children's Services External Contracts	ANA - High Risk	Draft	Fundamental Weakness	<p>Children's Services have a range of contracts in place with a number of managers responsible for their procuring and commissioning. Children's Services do not have one person responsible for co-ordinating contracts across the service. This has led to a fragmented approach in contracting and a lack of joined up approach to this area.</p> <p>Audit found difficulty in identifying the contracts in place due to the lack of entries in the Torbay Council Contracts Register. It is a requirement of Torbay's Financial Regulations that all contracts over £5,000 should be shown on the Register and the responsibility for ensuring that contracts are recorded lies with the Director of Children's Services.</p> <p>The main area of contract spend within Children's Services is with regard to residential and ISP contracts (total spend of £9.886m). These are dealt with by a small contracts team. A number of areas around this contracting process were found to be inadequate both in the recording of the tender process and selection of successful provider.</p> <p>Placements were not authorised by the Access to Resources Panel or other nominated officer. Most residential placements over 52 weeks cost at least £150,000. Children's Services Scheme of Delegation for Financial & Other Arrangements states "That all independent sector Placements have to go through Access to Resources Panel and that any placement over £100,000 should be agreed by Portfolio Member for Children's Services".</p> <p>Performance visits are undertaken by The Partnership but only 30% of the sample tested had been visited in the last year. The Contracts Team used to undertake regular visits to providers but this has not happened for over a year. Two new providers have received no visits apart from any that a social worker would make. Risk exists if no formal visits or</p>		

Children's Services					
Risk Area / Audit Entity	Risk Assessment / Audit Needs Assessment	Audit Report			Assurance Progress RAG Score
		Status	Assurance Opinion	Executive Summary	
				enquiries have been made to ascertain overall the quality of service provision and achievement of effective outcomes for the child. Financial Regulations have not been adhered to in respect of Residential and Independent Sector Placement expenditure authorisation.	
Troubled Families		Ongoing	Not Applicable	Checking and certification of periodic grant claims.	
The following audits were scheduled within the original agreed plan but no longer required <ul style="list-style-type: none"> - Section 17 Payments (ANA - Low) - 3 - 5 Year Budget Strategy (ANA - High) - Business Systems & Processes (ANA - High) - Delegated Powers & Responsibilities (ANA - Medium) 					

Appendix 5 - Customer Service Excellence Customer Survey Results April 2013 - March 2014

The charts below show a summary of 75 responses received.



This page is intentionally blank.