



Tuesday, 13 March 2018

AUDIT COMMITTEE

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

Wednesday, 21 March 2018

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 Tyerman (Chairman)

Councillor Barnby

Councillor Long

Councillor Bent

Councillor Morey

Councillor O'Dwyer

Councillor Stocks

A prosperous and healthy Torbay

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. **Apologies**
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 6)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 24 January 2018.
3. **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.)
4. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
5. **Internal Audit Strategy** (Pages 7 - 12)
To note the submitted report.
6. **Internal Audit Charter** (Pages 13 - 20)
To note the submitted report.
7. **Internal Audit Plan 2018-19** (Pages 21 - 36)
To consider a report that sets out the Internal Audit Plan for 2018-19.
8. **Update on Emergency Planning and Business Continuity Audit** (Pages 37 - 56)
To receive an update on the above.

9. **Audit Progress Report and Sector Update** (Pages 57 - 75)
To note the submitted report.
10. **External Audit Plan** (Pages 76 - 91)
To consider the Council's External Auditors Audit Plan.
11. **Corporate Performance Report Q3 2017/18** (Pages 92 - 99)
To note the submitted report.



Minutes of the Audit Committee

24 January 2018

-: Present :-

Councillor Tyerman (Chairman)

Councillors Barnby, Bent, Darling (S), O'Dwyer, Morey and Stocks

116. 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 Darling (S) instead of Councillor Long.

117. Minutes

The Minutes of the meeting of the Audit Committee held on 28 September 2017 were confirmed as a correct record and signed by the Chairman.

118. Internal Audit Report - Follow Up Report on Areas Requiring Improvement

Members of the Audit Committee considered a report that provided an update on progress made in areas that had previously been deemed as requiring improvements. The progress made in some areas means the previously identified risks are being minimised or mitigated where appropriate. However the lack of progress made in some action plans means a number of the risks previously identified and highlighted to management continue to remain. In particular there remain areas where progress has been limited and this includes Emergency Planning and Business Continuity and a number of audits within ICT and Children's Services.

The Director of Corporate Services and Operations advised Members that there had been some delays in implementing the actions in relation to Emergency Planning and Business Continuity. It had become apparent that the resources made available to Emergency Planning by the Council had been reduced too far, with some proposals going forward in the budget to facilitate work that would result in a joined up approach of emergency planning and risk management. Members challenged whether appropriate officers were trained to effectively manage an emergency situation. Historically training has been voluntary with managers declining to undertake the role, however as an organisation people need to be trained and the Senior Leadership Team will be asked to strongly support Emergency Planning in identifying appropriate staff.

Members requested the Director of Corporate Services and Operations to provide an interim update with a formal report of progress being presented to the Audit Committee on 21 March 2018.

Members noted that a TOR2 Project Board had been established as part of the Transformation programme and requested the Executive Head of Assets and Business Services provide evidence that the board was working effectively.

119. Internal Audit - Half Year Audit Report 2017-18

Members considered a report that set out the current position of the audit service provision; reviewed work undertaken to date and provided an opinion on the overall adequacy and effectiveness of the Authority's internal control environment. Members were advised that based on work performed during 2017/18 and experience from the current year progress and previous years' audit, the Head of Internal Audit's Opinion is of 'significant assurance' on the adequacy and effectiveness of the majority of the Authority's internal control framework. The exceptions to this were Public Health and Children's Services, where opinions were of 'Limited Assurance' due to the level of audit activity in previous years. Members were also advised that comparators for the irregularities detailed in the Fraud Prevention and Detection section of the report would be provided in the Annual Report.

Members noted that a schedule of fees had been agreed by the Council and the TDA and sought clarification as to whether market testing of the fees had been undertaken. The Head of Finance advised Members that the fees had been based upon reasonable assumption of their costs and therefore it was acceptable for the Council to sign a protocol that outlines the key assumptions for the financial transactions between the Council and the TDA.

120. Treasury Management Strategy 2018/19 (incorporating the Annual Investment Strategy 2018/19 and the Minimum Revenue Provision Policy 2018/19)

Members were informed that the Treasury Management Strategy aims to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2018/19 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

Members were advised that in late December 2017 CIPFA issued revised code of practice for both Treasury Management and the prudential code, in addition in December DCLG also issued a consultation on capital finance regulations and guidance on the calculation of the Minimum Revenue Provision (MRP). Members sought clarification as to whether MRP would apply to assets held by a subsidiary company, would the subsidiary company have to conform to the guidelines set out in the consultation document. Members were advised that the MRP guidance may not apply however the transparency code would with both codes placing greater emphasis on due diligence.

Members questioned whether there were opportunities to use the treasury management function for a local authority credit union. The Head of Finance explained that a credit union would not be a treasury management issue but for the Executive Head for Community Safety to consider and determine whether such a service would be successful for both the community and the Council.

Prior to the Treasury Management Strategy being presented to Council Members requested that a table be amended or included to show the borrowing for investments with historical comparators and future projections.

121. Certification work for Torbay Council for year ended 31 March 2017

Members noted the report that set out the certification work undertaken on the Housing Benefit subsidy claim for the 2016/17 financial year which related to expenditure of £64.9 million.

Mark Bartlett, Engagement Manager for Grant Thornton, informed members that errors had been found where assessors had incorrectly calculated claimants' average weekly wage, leading to an extrapolated error. Members were advised that such errors were not uncommon, however it was unusual for Torbay. As a result the Council's External Auditors would be undertaking specific testing in this area in 2017/18. Members were advised that the Head of Service was investigating to see if there was a pattern, whether it was a training issue, particular individual or team. This area will also form part of the Internal Audit Plan for the forthcoming year.

122. Torbay Council Audit Committee Update - January 2018

Members considered a report that detailed the progress Grant Thornton had made in delivering their responsibilities as the Council's external auditors. The report also provided a summary of emerging national issues and developments along with a timeline for audit deliverables.

Chairman/woman

TORBAY COUNCIL

INTERNAL AUDIT STRATEGY (March 2018)

1 INTRODUCTION

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In The Council, the County Treasurer is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

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

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

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

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

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

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

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

- identifying all of the systems, both financial and non-financial, that form the Council's control environment and governance framework, and contribute to it meeting its obligations and objectives – the 'Audit Universe';
- creating an audit plan providing audit coverage on the higher risk areas in the Audit Universe;
- undertaking individual audit reviews, to the standards set by the PSIAS, to independently evaluate the effectiveness of internal control;
- providing managers with an opinion on, and recommendations to improve, the effectiveness of risk management, control and governance processes;
- providing managers with advice and consultancy on risk management, control and governance processes;
- liaising with the Council's external auditors to ensure efficient use of scarce audit resources through the avoidance of duplication wherever possible; and
- providing the Council, through the Audit Committee, with an opinion on governance, risk and control framework as a contribution to the Annual Governance Statement.

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

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

Significant issues and risks are to be brought to the attention of the S.151 Officer as and when they arise. Regular formal meetings should also be held to discuss issues arising and other matters.

The Head of Devon Audit Partnership will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

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

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

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

- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and
- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

The audit planning process includes the creation of and ongoing revision of an “audit universe”. This seeks to identify all risks, systems and processes that may be subject to an internal audit review.

The audit universe will include a risk assessment scoring methodology that takes account of a number of factors including: the Council’s own risk score; value of financial transactions; level of change, impact on the public; political sensitivity; when last audited; and the impact of an audit. This will inform the basis of the resources allocated to each planned audit area.

The results from the audit universe will be used in creating an annual audit plan; such a plan will take account of emerging risks at both local and national level.

Assignment planning

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

5 PROVISION OF INTERNAL AUDIT

The Internal Audit for The Council is provided by Devon Audit Partnership

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

Internal Audit Performance Management and Quality Assurance

The PSIAS state that the Head of Devon Audit Partnership should have in place an internal performance management and quality assurance framework; this framework must include:

- a comprehensive set of *targets to measure performance*. These should be regularly monitored and the progress against these targets reported appropriately;
- seeking *user feedback* for each individual audit and periodically for the whole service;
- a periodic review of the service against the Strategy and the achievement of its aims and objectives. The results of this should inform the future Strategy and be reported to the Audit Committee;
- internal quality reviews to be undertaken periodically to ensure compliance with the PSIAS and the Audit Manual (self-assessment); and
- an action plan to implement improvements.

Performance Measures and targets

The Head of Devon Audit Partnership will closely monitor the performance of the team to ensure agreed targets are achieved. A series of performance indicators have been developed for this purpose (please see over).

Internal Audit Performance Monitoring Targets.

Performance Indicator	Full year target
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

There are a number of other indicators that are measured as part of the audit process that will be captured and reported to senior management.

Task	Performance measure
Agreement of Annual audit plan	Agreed by Chief Executive, SLT and Audit Committee prior to start of financial year
Agreement of assignment brief	Assignment briefs are agreed with and provided to auditee at least two weeks before planned commencement date.
Undertake audit fieldwork	Fieldwork commenced at agreed time
Verbal debrief	Confirm this took place as expected; was a useful summary of the key issues; reflects the findings in the draft report.
Draft report	Promptly issued within 15 days of finishing our fieldwork. Report is "accurate" and recommendations are both workable and useful.
Draft report meeting (if required)	Such a meeting was useful in understanding the audit issues
Annual internal audit report	Prepared promptly and ready for senior management consideration by end of May. Report accurately reflects the key issues identified during the year.
Presentation of internal audit report to management and audit committee.	Presentation was clear and concise. Presented was knowledgeable in subject area and able to answer questions posed by management / members.
Contact with the audit team outside of assignment work.	You were successfully able to contact the person you needed, or our staff directed you correctly to the appropriate person. Emails, letters, telephone calls are dealt with promptly and effectively.

Once collated the indicators will be reported to the S.151 Officer on a regular basis, and will be summarised in an annual report. Performance indicator information will also be presented to the Audit Committee for information and consideration.

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

Customer (user) feedback

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

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

Customer feedback is also used to define and refine the audit approach. Devon Audit Partnership will seek feedback from:-

- auditees;
- senior leadership; and
- executive management.

The results from our feedback will be reported to Senior Management and the Audit Committee in the half year and annual reports.

Internal quality reviews

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 92% of the elements; partially meet 5.5%; and are not required to or do not meet 2% (seven) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

In December 2016 Devon Audit Partnership welcomed Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service and his colleague Chris Wood, Audit Manager, who completed an external validation of the Partnership.

Terry and Chris concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.”

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

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

Devon Audit Partnership currently has c.26 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in areas such as Computer Audit and Contracts Audit as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2018) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA (including QICA – computer audit)
- 1 x studying for IIA
- 11 x AAT qualified
- 4 x ILM (Institute of Leadership & Management) level 5 or above

Devon Audit Partnership uses MorganKai Insight (MKi) as an audit management system. This system allows Partnership management to effectively plan, deliver and report audit work in a consistent and efficient manner. The system provides a secure working platform and ensures confidentiality of data. The system promotes mobile working, allowing the team to work effectively at client locations or at remote locations should the need arise.

Staff Development and Training

Devon Audit Partnership management assess the skills of staff to ensure the right people are available to undertake the work required.

Staff keep up to date with developments within internal audit by attending seminars, taking part in webinars and conferences, attending training events and keeping up to date on topics via websites and professional bodies. Learning from these events helps management to ensure they know what skills will be required of our team in the coming years, and to plan accordingly.

Devon Audit Partnership follows formal appraisal processes that identify how employees are developing and create training and development plans to address needs.

Devon Audit Partnership

March 2018

Auditing for achievement



TORBAY COUNCIL

INTERNAL AUDIT CHARTER (March 2018)

MISSION

The Mission of Devon Audit Partnership is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight across its partners.

TERMS OF REFERENCE

This Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP), and the scope of Internal Audit work. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.

DEFINITIONS

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The PSIAS set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within Torbay Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Senior Leadership Team.

The PSIAS make reference to the role of "Chief Internal Auditor". For Torbay Council this role is fulfilled by the Head of Devon Audit Partnership.

STATUTORY REQUIREMENTS

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state:

5.—(1) A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

In addition, the Local Government Act 1972, Section 151, requires every local authority to designate an officer to be responsible for the proper administration of its financial affairs. In Torbay Council, the Chief Accountant is the 'Section 151 Officer'. One of the ways in which this duty is discharged is by maintaining an adequate and effective internal audit service.

THE PURPOSE AND AIM OF INTERNAL AUDIT

The role of Internal Audit is to understand the key risks of the Council; to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation and contribute to the proper, economic, efficient and effective use of resources. In addition, the other objectives of the function are to:

- support the Section 151 Officer to discharge his / her statutory duties
- contribute to and support the Finance function in ensuring the provision of, and promoting the need for, sound financial systems
- support the corporate efficiency and resource management processes by conducting value for money and efficiency studies and supporting the work of corporate working groups as appropriate
- provide a quality fraud investigation service which safeguards public monies.

The existence of Internal Audit does not diminish the responsibility of management to establish systems of internal control to ensure that activities are conducted in a secure, efficient and well-ordered manner.

Internal Audit for Torbay Council is provided by Devon Audit Partnership. We aim to provide a high quality, professional, effective and efficient Internal Audit Service to the Members, service areas and units of Torbay Council, adding value whenever possible.

PROFESSIONALISM, ETHICS AND INDEPENDENCE

Being Professional

We (Devon Audit Partnership) will adhere to the relevant codes and guidance. In particular, we adhere to the Institute of Internal Auditors' (IIA's) mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the Public Sector Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing within the public sector and for evaluating the effectiveness of Internal Audit's performance. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, Internal Audit will adhere to Torbay Council's relevant policies and procedures and the internal audit manual.

Internal Auditors must apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not, however, imply infallibility.

Our Ethics

Internal auditors in UK public sector organisations must conform to the Code of Ethics as set out by The Institute of Internal Auditor's. This Code of Ethics promotes an ethical culture in the profession of internal auditing. If individual internal auditors have membership of another professional body then he or she must also comply with the relevant requirements of that organisation.

The Code of Ethics extends beyond the definition of internal auditing to include two essential components:

1. Principles that are relevant to the profession and practice of internal auditing;
2. Rules of Conduct that describe behaviour norms expected of internal auditors.

The Code of Ethics provides guidance to internal auditors serving others, and applies to both individuals and entities that provide internal auditing services.

The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace Codes of Ethics of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's Seven Principles of Public Life.

Being Independent

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

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

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

The Council should make arrangements for Internal Audit to have adequate budgetary resources to maintain organisational independence.

The Head of Devon Audit Partnership should have sufficient status to facilitate the effective discussion of audit strategies, audit plans, audit reports and action plans with senior management and members of the Council.

Auditors should be mindful of being independent. They;

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

AUTHORITY

Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement.

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 6(2) that state that:

'Any officer or member of a relevant authority must, if required to do so for the purposes of the internal audit—

- (2) (a) make available such documents and records; and

- (b) supply such information and explanations; as are considered necessary by those conducting the internal audit.
- (3) in this regulation “documents and records” includes information recorded in an electronic form.

In addition, Internal Audit, through the Head of Devon Audit Partnership, where deemed necessary, will have unrestricted access to:

- the Chief Executive
- Members
- individual Directors and Executive Heads
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

ACCOUNTABILITY

Devon Audit Partnership is a shared service established and managed via a Partnership Committee and Board with representation from each of the founding partners. The Partnership operates as a separate entity from the client authorities and Internal Audit is therefore independent of the activities which it audits. This ensures unbiased judgements essential to proper conduct and the provision of impartial advice to management. Devon Audit Partnership operates within a framework that allows the following:

- unrestricted access to senior management and members
- reporting in its own name
- separation from line operations

Every effort will be made to preserve objectivity by ensuring that all audit members of audit staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of Devon Audit Partnership fulfils the role of Chief Auditor at the Authority and will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

The Chief Accountant ‘Section 151 Officer’ will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

Internal Auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Devon Audit Partnership reports functionally to the Audit Committee on items such as:

- Approving the internal audit charter
- Approving the risk based Internal Audit plan
- Receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters
- Approving the Head of Devon Audit Partnership’s annual report
- Approve the review of the effectiveness of the system of internal audit.

The Head of Devon Audit Partnership has direct access to the Chair of Audit Committee and has the opportunity to meet with the Audit Committee in private.

RESPONSIBILITIES

The Chief Executive, Directors and other senior officers are responsible for ensuring that internal control arrangements are sufficient to address the risks facing their services.

The Head of Devon Audit Partnership will provide assurance to the Chief Accountant 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

The Head of Devon Audit Partnership will provide assurance to the Monitoring Officer in relation to the adequacy and effectiveness of the systems of governance within the Council helping her meet obligations under the Local Government and Housing Act 1989 and the Council's Constitution. He will also work with the Monitoring Officer to ensure the effective implementation of the Council's Whistleblowing Policy.

Internal Audit responsibilities include but are not limited to:

- Examining and evaluating the soundness, adequacy and application of the Council's systems of internal control, risk management and corporate governance arrangements;
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures and regulations which could have a significant impact on operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Investigating alleged fraud and other irregularities referred to the service by management, or concerns of fraud or other irregularities arising from audits, where it is considered that an independent investigation cannot be carried out by management.
- Appraising the economy, efficiency and effectiveness with which resources are employed and the quality of performance in carrying out assigned duties including Value for Money Studies;
- Working in partnership with other bodies to secure robust internal controls that protect the Council's interests.
- Advising on internal control implications of new systems
- Providing consulting and advisory services related to governance, risk management and control as appropriate for the organisation
- Being responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues.

INTERNAL AUDIT MANAGEMENT

The PSIAS describe the requirement for the management of the internal audit function. These set out various criteria that the Head of Devon Audit Partnership (as Chief Internal Auditor) must meet, and includes:-:

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;

- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

These criteria are brought together in an Audit Strategy which explains how the service will be delivered and reflect the resources and skills required.

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

The Head of Devon Audit Partnership should also have the opportunity for free and unfettered access to the Chief Executive and meet periodically with the Monitoring Officer and S.151 Officer to discuss issues that may impact on the Council's governance, risk and control framework and agree any action required.

INTERNAL AUDIT PLAN AND RESOURCES

At least annually, the Head of Devon Audit Partnership will submit to the Audit Committee a risk-based internal audit plan for review and approval. The Head of the Devon Audit Partnership will:

- develop, in consultation with Service Directors, an annual audit plan based on an understanding of the significant risks to which the organisation is exposed;
- submit the plan to the Audit Committee for review and agreement;
- implement the agreed audit plan;
- maintain a professional audit staff with sufficient knowledge, skills and experience to carry out the plan and carry out continuous review of the development and training needs;
- maintain a programme of quality assurance and a culture of continuous improvement;

The internal audit plan will include timings as well as budget and resource requirements for the next fiscal year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

Internal Audit resources must be appropriately targeted by assessing the risk, materiality and dependency of the Council's systems and processes. Any significant deviation from the approved Internal Audit plan will be communicated through the periodic activity reporting process.

It is a requirement of the Council's Anti-Fraud and Corruption Strategy that the Head of Devon Audit Partnership be notified of all suspected or detected fraud, corruption or impropriety. All reported irregularities will be investigated in line with established strategies and policies. The audit plan will also include sufficient resource to carry out proactive anti-fraud work.

Internal Audit activities will be conducted in accordance with Council strategic objectives and established policies and procedures.

Monitoring of Internal Audit's processes is carried out on a continuous basis by Internal Audit management, and the Council's members and management may rely on the professional expertise of the Head of the Devon Audit Partnership to provide assurance. From time to time, independent review is carried out: for example, through peer reviews; ensuring compliance with the PSIAS is an essential approach to such a review.

REPORTING

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

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

A written report will be prepared for every internal audit project and issued to the appropriate manager accountable for the activities under review. Reports will include an 'opinion' on the risk and adequacy of controls in the area that has been audited, which, together, will form the basis of the annual audit opinion on the overall control environment.

The aim of every Internal Audit report should be:

- To give an opinion on the risk and controls of the area under review, building up to the annual opinion on the control environment; and
- To recommend and agree actions for change leading to improvement in governance, risk management, the control environment and performance.

The Manager will be asked to respond to the report in writing, within 30 days, although this period can be extended by agreement. The written response must show what actions have been taken or are planned in relation to each risk or control weakness identified. If action is not to be taken this must also be stated. The Head of Devon Audit Partnership is responsible for assessing whether the manager's response is adequate.

Where deemed necessary, the Internal Audit report will be subject to a follow-up, normally within six months of its issue, in order to ascertain whether the action stated by management in their response to the report has been implemented.

The Head of the Devon Audit Partnership will

- submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken.
- submit on an annual basis an Annual Internal Audit Report to the Audit Committee, incorporating an opinion on the Council's control environment, which will also inform the Annual Governance Statement.

RELATIONSHIP WITH THE AUDIT COMMITTEE

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

The Specific Functions of the Audit Committee are set out in the Council's Constitution (Part 3 Responsibility for Functions).

The Head of Devon Audit Partnership will assist the Committee in being effective and in meeting its obligations. To facilitate this, the Head of Devon Audit Partnership will:

- Attend meetings, and contribute to the agenda;

- Ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- Report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- Establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- Present an annual report on the effectiveness of the system of internal audit; and
- Present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

An external assessment must be conducted at least once in five years by a suitably qualified, independent assessor.

In December 2016 Terry Barnett, Head of Assurance for Hertfordshire Shared Internal Audit Service who completed an external validation of the Partnership. Terry concluded that;

“It is our overall opinion that the Devon Audit Partnership **generally conforms*** to the Public Sector Internal Audit Standards, including the Definition of Internal Auditing, the Code of Ethics and the Standards.

* **Generally Conforms** – This is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards

CHARTER – NON CONFORMANCE AND REVIEW

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

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

Devon Audit Partnership

March 2018

Auditing for achievement

Internal Audit

Internal Audit Plan 2018-19

Torbay Council
Audit Committee

Page 21

March 2018

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

Agenda Item 7

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<p>Devon Audit Partnership</p> <p>The Devon Audit Partnership has been formed under a joint committee arrangement comprising of Plymouth, Torbay, Torridge 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.</p> <p>The Partnership is committed to providing high quality, professional customer services to all; if you have any comments or suggestions on our service, processes or standards, the Head of Partnership would be pleased to receive them at robert.hutchins@devonaudit.gov.uk.</p>	<p>Confidentiality and Disclosure Clause</p> <p>This report is protectively marked in accordance with the government security classifications. It is accepted that issues raised may well need to be discussed with other officers within the Council, the report itself should only be copied/circulated/disclosed to anyone outside of the organisation in line with the organisation's disclosure policies.</p> <p>This report is prepared for the organisation's use. We can take no responsibility to any third party for any reliance they might place upon it.</p>
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Introduction

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Senior Leadership Team. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to review and approve the Internal Audit Plan to provide assurance to support the governance framework (see appendix 2).

This Council's Internal Audit Charter formally describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP) as represented in the audit framework at appendix 1, and the scope of Internal Audit work. The PSIAS make reference to the role of "Chief Audit Executive". For the Council this role is fulfilled by the Head of Devon Audit Partnership.

The chief audit executive is responsible for developing a risk-based plan which takes into account the organisation's risk management framework, including using risk appetite levels set by management for the different activities or parts of the organisation as represented in appendix 3.

The audit plan represents the proposed internal audit activity for the year and an outline scope of coverage. At the start of each audit the scope is discussed and agreed with management with the view to providing management, the Head of Finance (Section 151) and members with assurance on the control framework to manage the risks identified. The plan will remain flexible and any changes will be agreed formally with management and reported to Audit Committee.

Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage in 2018/19.

In review of the above the Audit Committee are required to consider the proposed audit plan.

Robert Hutchins
Head of Audit Partnership

Annual Service Level Plans

Transformation Programme

We will continue to support the Authority's Transformation Programme in both a 'trusted adviser' role and through provision of operational support to project delivery. In addition to Digitalisation as a project, we will also support this with specific alignment to the ICT service.

Public Health

We plan to examine the arrangements for contracts management and monitoring of the commissioned services in relation to the Sexual Medicines Service. We will also review arrangements in relation to Health Protection and Infection Control.

Adult Services and Housing

Whilst the majority of assurance work is carried out by Health auditors (Audit South West), our work will review organisational arrangements for Housing service delivery, and follow up our previous work in relation to the Commissioning and Performance Management (non Integrated Care Organisation) and Care Act – Better Care Fund / Section 256 monies.

Commercial Services & Transformation and Corporate Services and Operations

We will continue to be involved in the MyView and TOAD replacement projects as a 'trusted advisor'. We will follow up our 2016-17 work in relation to Housing Services, as well as considering the new bond scheme and use of the homeless grant awarded and also follow up our previous work in relation to Parking Services, along with reviewing the new system and examining the parking strategy.

Work will include examination of contract monitoring arrangements for Public Toilets and Library Services; Libraries Unlimited will also be subject to a separate internal audit by the Devon Audit Partnership commissioned by Torbay Council and Devon County Council.

In addition, we will review processes in Development & Planning and process changes as a result of the development of new operational arrangements with Plymouth City Council, and review implementation of the Local Transport Plan / Strategic Transport.

We will also consider the Council's the Commissioning and Performance Monitoring by the Council of the TDA (trading name of the Torbay Economic Development Company Ltd), the corporate Health & Safety arrangements, and the cross Council use of Legal Service advice. We will consider arrangements at the Tor Bay Harbour Authority, and follow up our previous work at Museum Services – Torre Abbey.

Children's Services

This year's audit plan ensures that the increased level of audit activity is maintained. Following on from our previous Placement Activity work, we will examine Permanency Planning and, in particular, the case planning arrangements. We will also review the process for Special Guardianship Orders and the Transition from Children's to Adults. In addition, we will examine Single Assessment (casework) / MASH (multi agency safeguarding hub) and the Early Help Strategy. We will also examine the Children in Need / Child Protection and Disability Services. We will consider the Use of Agency Staff and the control of Safeguarding employee costs. Additionally, Schools audit activity and compliance with Schools Financial Value Standards will be maintained.

Core Assurance – Business Processes & Governance, Key Financial Systems, ICT

We shall continue work with management to ensure that effective systems and governance arrangements are in place to manage the risks, as shown by our work in areas such as Commissioning and Contracts Management and Risk Management.

Assurance work will be undertaken on areas termed as material systems that process the majority of income and expenditure of the Authority, and which have a significant impact on the reliability and accuracy of the annual accounts.

IT Audit activity will examine and support the progression of the service delivery review and incorporate audits covering residual client-side functions; we will continue to support major ICT system implementations, and the GDPR project. We will examine and evaluate the core ICT functions supporting the Council's key financial systems. The reviews will be undertaken using the ITIL framework as a reference for best practice but maintaining specific relevance to the organisation.

Value Added and Infrastructure / Business Projects

We will support the Corporate Fraud Officer in the National Fraud Initiative this year, which will see the uploading of the NFI datasets in October 2018, and subsequent data matches received in early 2019, which DAP will then assist in by reviewing the Payroll and Creditors matches. In addition, we will continue to support the Council in responding to Freedom of Information and Subject Access Requests.

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2017/18. A number of projects will be supported ranging from major infrastructure to operational system implementations.

Service Area Overview of Audit Coverage

Adult Services and Housing	Children's Services	Public Health	Commercial Services & Transformation and Corporate Services & Operations	Business Projects	Value Added
Housing	Permanency Planning		Housing Services (follow up)	Transformation Programme (refer to page 5)	Information Security Group
Care Act – Better Care Fund / Section 256 monies (follow up)	Special Guardianship Orders	Commissioned Services management and monitoring (Sexual Medicines Service)	Health & Safety	Transformation – digitalisation, ICT Service Delivery Model	Fraud Prevention and Investigation
Commissioning and Performance Management (non ICO) (follow up)	Children In Need / Child Protection		Spatial Planning	Payroll / HR system (new modules)	Subject access and freedom of information requests
(Adult Social Care audited by Audit South West)	Single Assessment / MASH	Health Protection and Infection Control	Commissioning and Performance Monitoring by the Council of the TDA	FIMS upgrade	National Fraud Initiative
	Disability Services		Parking Services	TOAD replacement	Advice
	Early Help Strategy		Museum Services (follow up)		Audit Follow Up
	Transition from Children's to Adults		Legal Services		Schools incl. Financial Value Standard
	Use of Agency Staff		Tor Bay Harbour Authority		
			Local Transport Plan / Strategic Transport		

Page 25
 Thematic Overview
 Audit Coverage

Core Assurance	Business Processes & Governance – Risk Management and Business Continuity, Commissioning and Performance Monitoring, Contract Monitoring, Grant Certification, and Audit Assurance Planning and Reporting
	Key Financial Systems – Payroll, IBS Sys Admin, Creditors & Electronic Ordering, FIMS Sys Admin, Debtors & Corporate Debt, Benefits & Council Tax Support Scheme, Income Collection, Asset Register, Council Tax & Non Domestic Rating, General Ledger & Bank Reconciliation, Treasury Management
	ICT – Client Side Function, ICT Continuity & Disaster Recovery, GDPR (General Data Protection Regulations), Major ICT systems projects

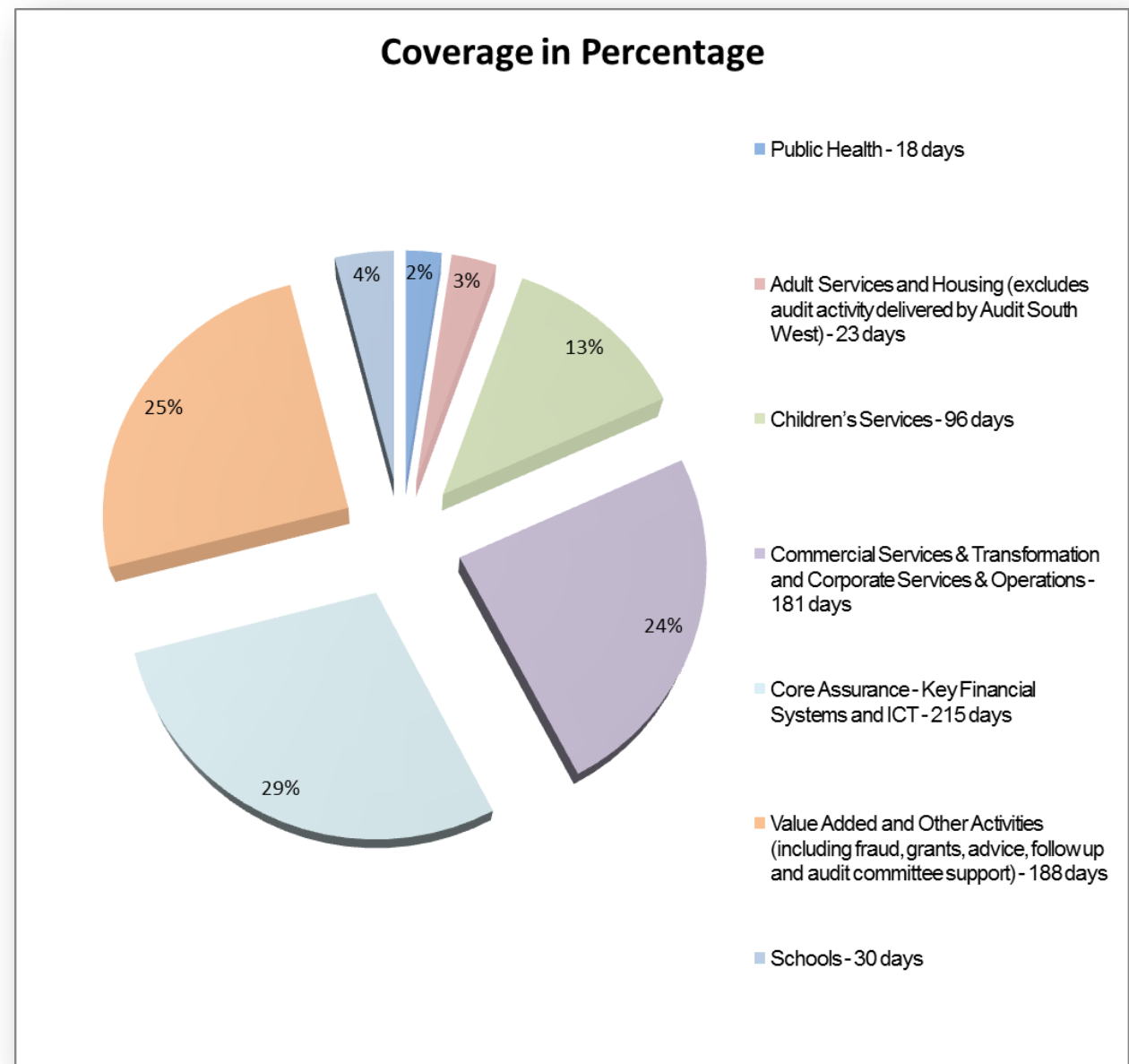
The diagram shows the thematic approach to the elements proposed for audit coverage in the coming year as identified through risk assessment and discussion with Senior Management. This overview is supported by the detailed plans, by theme, in appendix 1.

High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 721 direct days (751 including 30 days for Schools). It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.

We have set out our plan based on the current organisational structure for the Authority. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review. The following pages give a brief overview of the focus of proposed audit coverage for the year.

A detailed analysis of proposed audit reviews is provided in the following schedule.



Proposed audit reviews

* Whilst audit area titles are detailed below, our practice is to agree detailed scopes closer to the actual timing of the audits and these will be briefly recorded in our 6 month and annual monitoring reports to Audit Committee.

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Transformation (direct project consultancy)			
Transformation Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> ○ Children's Services Delivery Model with Plymouth City Council ○ Re-design of Spatial Planning including the collaboration and the development with Plymouth City Council ○ Digitalisation, ICT Service delivery model ○ Investment Committee ○ Housing Company ○ Town Centre Regeneration ○ TOR2 	ANA – critical	60	1-4
Other Audit Areas within the Joint Commissioning and Joint Operations Teams (not directly linked to the transformational change programme)			
Public Health			
Commissioned Services – Contracts Management and Monitoring (Sexual Medicines Service)	ANA – high, client request	8	1
Health Protection and Infection Control	ANA – medium, client request	10	2
Adult Services and Housing			
Housing (including joint working of fragmented service, Crisis report 'housing first model' implementation, use of community housing grant)	ANA – critical	15	1
Care Act – Better Care Fund / Section 256 monies (follow up audit, use of Improved Better Care Fund)	ANA – critical	5	4
Commissioning and Performance Management (non Integrated Care Organisation) (follow up audit)	ANA - high	3	4
Colleagues at Audit South West have been informed of key risks / challenges which include <ul style="list-style-type: none"> • Care Home Sustainability, • GDPR, • Cyber security, • business continuity, • impact of homelessness. 		Audit areas to be notified and agreed by the Director by the Director of Adult Services and Housing Audit Plan to be approved at TSDFT's Audit Committee	

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Children’s Services			
Permanency Planning (including case planning i.e. step down, exit plans and placement market management)	ANA – high	14	4
Special Guardianship Orders (including means testing)	ANA – high	10	2
Children in Need Services / Child Protection	ANA – high	14	1
Single Assessment (casework) / MASH (multi agency safeguarding hub)	ANA – high	14	3
Disability Services (specifically children with disabilities not special educational needs)	ANA – medium	10	2
Early Help Strategy	ANA – medium	8	4
Transition from Children’s to Adults	ANA – medium	14	3
Use of Agency staff and control of Safeguarding employee costs	ANA – high	10	1
School Financial Value Standard (SFVS)	n/a	2	1
Schools	Service bought by Schools – summary of findings provided in relation to Authority Controlled Schools	30	n/a
Commercial Services & Transformation and Corporate Services & Operations			
Risk Management, Emergency Planning and Business Continuity – ‘trusted advisor’	ANA - medium	5	1-4
Payroll System – New modules implementation project ‘trusted advisor’ role (including HR workflows)	ANA - high	5	1-4
Housing Services (follow up audit, bond scheme, new grant, and Homeless Reduction Act implementation)	ANA - medium	5	2
Health & Safety	ANA - medium	15	4
Spatial Planning – Development and Planning (including new processes as result of new arrangement with PCC)	ANA - high	18	4
Commissioning and Performance Monitoring by the Council of the TDA (the trading name of the Torbay Economic Development Company Ltd) including loan, new companies, group activity)	ANA - high	10	3
Parking Services (new system, parking strategy, fees & charges and previous follow up audit)	ANA - high	15	3
Museum Services – Torre Abbey (follow up audit)	ANA - medium	4	2

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Legal Services – cross council use of legal advice	ANA – medium	8	1
Contract Monitoring - Public Toilets, and Library Service	ANA – medium	8	3
Library Service – contribution to internal audit provision to Libraries Unlimited	ANA - medium	2	1
Tor Bay Harbour Authority	ANA - medium	15	2
Local Transport Plan / Strategic Transport	ANA - medium	8	2
TOAD Replacement (Torbay On line Asset Database)	ANA – medium	3	1-4
Core Assurance – Key Financial Systems			
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	14	3
Creditors & Electronic Ordering (POP)	ANA – high	15	3
Debtors and Corporate Debt	ANA – high	18	4
FIMS Sys Admin	ANA – high	8	1
Asset Register (follow up audit)	ANA – medium	4	1
Treasury Management	ANA – medium	11	2
Income Collection	ANA – medium	14	2
Payroll	ANA – high	21	4
Benefits and CTAX Support Scheme	ANA – high	28	2
Council Tax and Non Domestic Rates	ANA – medium	21	4
IBS Open Sys Admin	ANA – high	13	2
<p>* A rolling programme of audits is adopted for material systems whereby although the planned days is likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Authority's material system control environment.</p>			
Core Assurance – ICT			
Client side function (IT) following outcome for service	ANA - high	15	1-4
ICT Continuity and Disaster Recovery (arrangements for key systems)	ANA - high	8	3
GDPR (General Data Protection Regulations)	ANA - high	10	1
Major ICT systems projects ('trusted advisor role')	ANA - high	15	1-4

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
Value Added and Other Activities			
Information Security Group	client request	3	n/a
Fraud Prevention and Investigation including National Fraud Initiative	business driven requirement, client request	45	n/a
Subject access and freedom of information requests	business driven requirement, client request	5	n/a
Grant Certification	business driven requirement	20	n/a
Advice	business driven requirement	18	n/a
Audit Follow Up	business driven requirement	12	2-3
Carry forward (completion of previous year work)		40	n/a
Other activities (including audit planning and annual plan report; support for audit committee; 6 month and annual monitoring reports; support for the preparation of the AGS; attendance at corporate meetings; external audit liaison etc.)		45	n/a

Risk Assessment Key

SRR / ORR – Local Authority Strategic or Operational Risk Register reference

ANA - Audit Needs Assessment risk level

Fraud Prevention and Detection and Internal Audit Governance

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. Internal Audit will continue to investigate instances of potential fraud and irregularities referred to it by managers, and will also carry out pro-active anti-fraud and corruption testing of systems considered to be most at risk to fraud. In recognition of the guidance in the Fraud Strategy for Local Government “Fighting Fraud Locally”, and the TEICCAF (The European Institute for Combatting Crime and Fraud) publication “Protecting the English Public Purse 2016”. Internal Audit will liaise with the Council’s Corporate Fraud Officer, to enable resource to be focussed on identifying and preventing fraud before it happens. Additionally, new guidance recently introduced by CIPFA, in their ‘Code of practice on managing the risk of fraud and corruption’, and also the new Home Office ‘UK Anti-Corruption Plan’, will further inform the direction of counter-fraud arrangements going forwards.

Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Abuse of Position, Blue Badges, and Direct Payments (Social Care).

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2018/19 exercise will commence later this year, with resulting data matches available from early 2019. Devon Audit Partnership will assist the Corporate Fraud Officer as necessary, and provide the subsequent review of Payroll and Creditors data matches through 2019/20.

Internal Audit Governance

An element of our work is classified as “other chargeable activities” – this is work that ensures effective and efficient services are provided to the Council and the internal audit function continues to meet statutory responsibilities. In some instances this work will result in a direct output (i.e. an audit report) but in other circumstances the output may simply be advice or guidance. Some of the areas that this may cover include:-

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2018/19
- On-going development within the Partnership to realise greater efficiencies in the future.

Partnership working with other auditors

We will continue to work towards the development of effective partnership working arrangements between ourselves and other audit agencies where appropriate and beneficial. We will participate in a range of internal audit networks, both locally and nationally, which provide for a beneficial exchange of information and practices. This often improves the effectiveness and efficiency of the audit process, through avoidance of instances of “re-inventing the wheel” in new areas of work which have been covered in other authorities.

The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council’s external auditors (Grant Thornton) and Audit South West (Internal Audit for NHS).

Appendix 1 - Audit Framework

Internal Audit is a statutory service in the context of The Accounts and Audit (England) Regulations 2015, which state: “A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards (PSIAS) or guidance”.

DAP, through external assessment, demonstrates that it meets the Public Sector Internal Audit Standards (PSIAS).

The Standards require that the Chief Audit Executive must “establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals”. When completing these plans, the Chief Audit Executive should take account of the organisation’s risk management framework. The plan should be adjusted and reviewed, as necessary, in response to changes in the organisation’s business, risk, operations, programs, systems and controls. The plan must take account of the requirement to produce an internal audit opinion and assurance framework.

This audit plan has been drawn up, therefore, to enable an opinion to be provided at the end of the year in accordance with the above requirements.



We will seek opportunity for shared working across member authorities. In shared working Devon Audit Partnership will maximise the effectiveness of operations, sharing learning & best practice, helping each authority develop further to ensure that risk remains suitably managed.

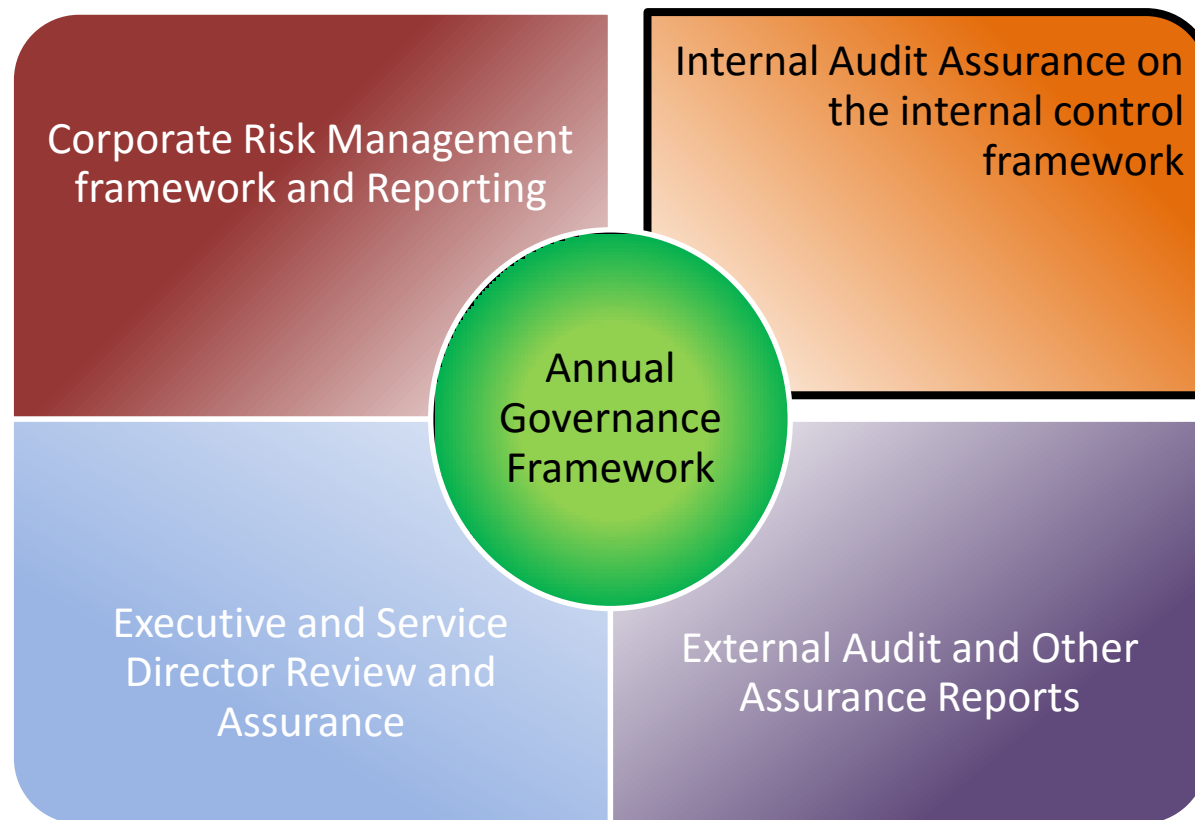
Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

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

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

- be prepared by senior management and signed by the Chief Executive and the Mayor;
- 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 is 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’s recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



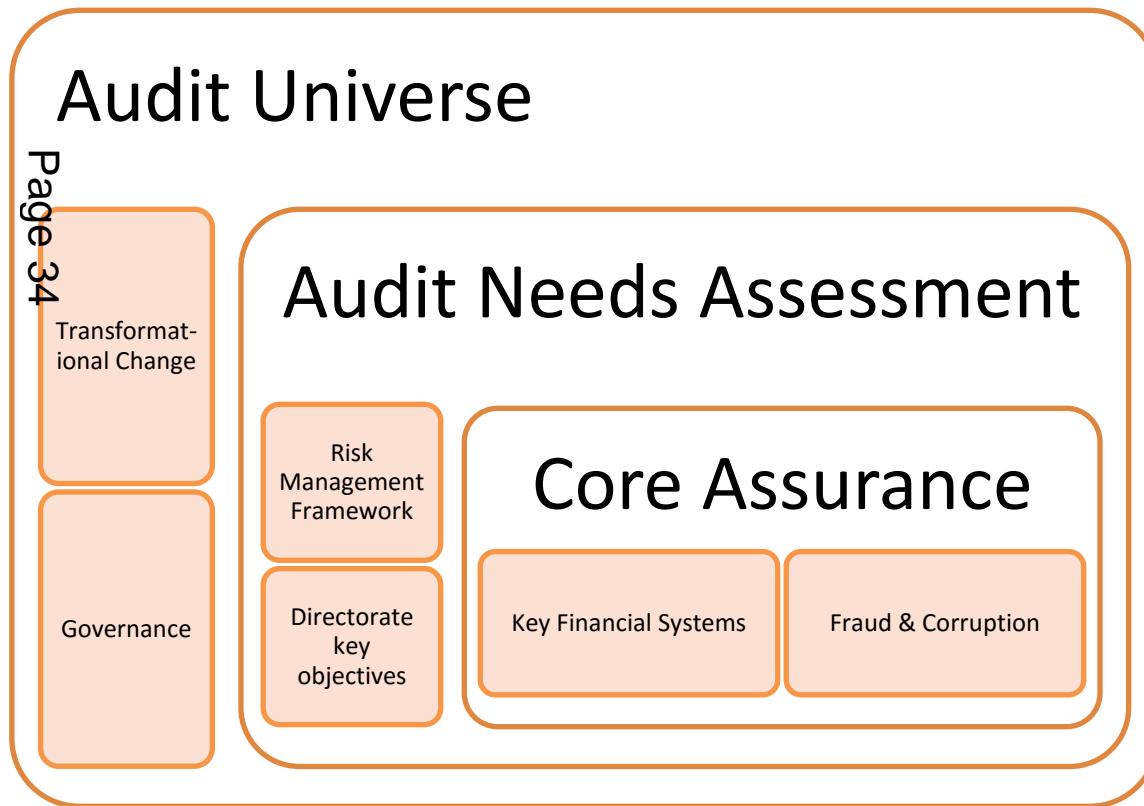
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Annual Governance process, SLT, Internal Audit, and other assurance providers (e.g. Audit South West) that the statement meets statutory requirements.

Appendix 3 - Audit Needs Assessment

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 result is the Internal Audit Plan set out earlier in this report.



The audit plan for the year 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

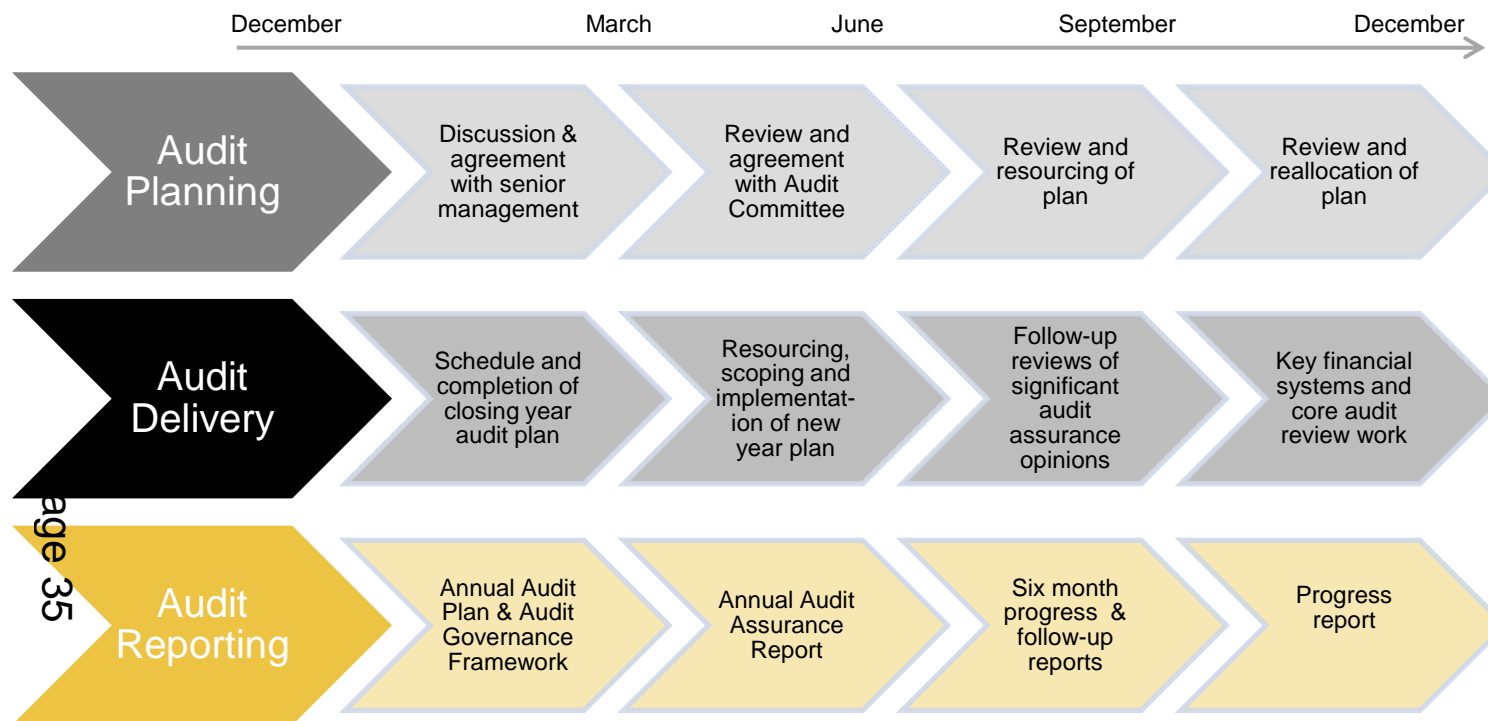
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2018	Directorate planning meetings
March 2018	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2018	Annual Performance reports written
June 2018	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
Sept 2018	Follow-up and progress reports presented to Audit Committee
Dec 2018	Six month progress reports presented to Audit Committee
	2019/20 Internal Audit Plan preparation commences

Robert Hutchins
 Head of Audit Partnership
 T 01392 383000

E robert.hutchins@devonaudit.gov.uk

Lynda Sharp-Woods
 Audit Manager – Torbay Council
 T 01803 207323
 E lynda.sharp-woods@devonaudit.gov.uk

David Curnow
 Deputy Head of Audit Partnership
 T 01392 383000
 M 07794201137
 E david.curnow@devonaudit.gov.uk

Dominic Measures
 Audit Manager – Specialist Services and Schools
 T 01752 306722
 E dominic.measures@devonaudit.gov.uk

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Title: Update on Emergency Planning and Business Continuity Audit

Wards Affected: ALL

To: Audit Committee On: 21st March 2018

Contact Officer: Steve Cox

☎ Telephone: 208029

✉ E.mail: Steve.cox@torbay.gov.uk

1. Key points and Summary

- 1.1 At the time of the Audit, there were inadequate resources to address the 'fundamental weakness' identified in the audit.
- 1.2 A new full time and permanent post has been agreed, and interviews have taken place with the anticipation of appointing an additional officer shortly. Their role will be to complete the work already started, to ensure Business Continuity Plans are reviewed, brought up to date, validated and tested and therefore meet the requirements of the Corporate Business Continuity Strategy 2018.
- 1.3 Senior Leadership Team in February 2018, as well as agreeing to the new Corporate Business Continuity Strategy also supported a series of recommendations both in the short and medium term. This will ensure the full implementation of the Strategy and therefore meeting the requirements of the Audit Report and embedding the concept across the organisation. This is likely to take 12-18 months to complete.
- 1.4 The additional post will also allow the current Senior Emergency Planning Officer to return their focus to Emergency Planning which will also pick up the remaining outstanding recommendations from the audit report. This will probably take another 6 months to complete.

2. Introduction

- 2.1 In early 2017 an internal audit was undertaken of Emergency Planning and Business Continuity, which reported in June 2017. It identified a number of issues in Emergency Planning and Business Continuity that needed addressing, however importantly it identified a 'Fundamental Weakness' in business continuity planning.

- 2.2 The Emergency Planning work that was required was primarily with regard to both the Response and Recovery Plans. This work is in hand and progressing steadily, but due to current and a previous lack of resources this hasn't progressed as quickly as the department would have liked. The majority of the emergency planning recommendations are being addressed as they form part of the work being undertaken in conjunction with Devon County Council and 6 of the Devon district authorities. Torbay Council is a member of Devon Emergency Planning Scheme (DEPS), where the aim is to standardise the plans across Devon. Although this in principle is the right approach, for the response plan in particular this has added to the workloads in the short term.
- 2.3 Business Continuity however was identified as a fundamental weakness. Work on this been the priority so the limited resources have been partially diverted away from emergency planning. The challenge is that most BCP's were out of date or in some cases absent. The Senior Emergency Planning Officer, with some support has been working with SLT representatives, Risk Management and IT to agree an over arching approach to risk. In February 2018 SLT agreed a new Corporate Business Continuity Strategy and a series of recommended actions to review the Critical Functions, which are the basis of business continuity; to complete the review of the plans; to validate them through exercises and lastly to embed business continuity into the organisation.
- 2.4 SLT had previously agreed to an additional permanent post, which is currently being interviewed for. This has taken a little time as the first round of interviews the Council didn't appoint as there wasn't considered to be a candidate that has sufficient experience of the role required.
- 2.5 The new post holder will be responsible for driving this work, with over sight from the Senior Emergency Planning Officer (SEPO) and Environmental Health Manager, which will allow the SEPO to pick up the other outstanding issues in the Audit amongst other key work. A proportion of the initial audit work has already been done with most business continuity plans having already been reviewed, however there is significant work to risk assess the critical functions, agree them, finish the plans, validate and test them and alongside to embed the concept across the organisation. This work is still likely to take at least 12-18 months to complete but possibly longer.

Tara Harris
Executive Head of Community Safety

Appendices

Appendix 1	Corporate Business Continuity Strategy 2018
Appendix 2	Corporate Business Continuity Strategy Appendix A Flowchart

Documents available in members' rooms

None

Background Papers:

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

Audit Committee Report Emergency Planning and Business Continuity February 2017



Corporate Business Continuity Strategy

Contents

- 1. What is Business Continuity Management (BCM)?**
 - 2. BCM Planning Assumptions**
 - 2.1 Definition of a "Critical Function"
 - 3. Business Continuity Management Framework**
 - 4. BCM Responsibilities**
 - 4.1 Service Managers
 - 4.2 Senior Leadership Team
 - 4.3 Emergency Planning Officer
 - 5. Business Continuity Management (BCM) Cycle**
 - 5.1 BCM Programme Management
 - 5.2 Understanding the Organisation
 - 5.3 Determining BCM Strategy
 - 5.4 Developing and Implementing BCM Response
 - 5.5 Exercising, Maintaining and Reviewing BCM arrangements
 - 5.6 Embedding BCM in the Organisations Culture
-
- Appendix A: Business Continuity Management Flowchart
- Appendix B: Business Impact Analysis (Template)
- Appendix C: Risk Analysis (Template)
- Appendix D: Corporate List of Critical Functions (Template)
- Appendix E: Resource Quantification Form (Template)
- Appendix F: Business Continuity Plan (Template)
- Appendix G: Business Continuity Guidance
- Appendix H: Business Continuity Management Team Agenda

Document Control

This document will be reviewed and updated every 3 years or following an incident or significant corporate restructure.

Version	Author	Changes	Date Amended
1.0	Emma Reid	Adopted by SLT on 24th January 2012	2011
2.0	Bob Pocock	Section 2.2 Executive Heads bullet point 2 added	2013
2.1	Bob Pocock	Review of Business Continuity ISO 22301	2016
3.0	Chris Packer	<p>Complete Strategy Review & Update including:</p> <p>Review & update the criteria for identifying and prioritising critical functions.</p> <p>Provide additional content regarding Torbay Council's BCM Roles and Responsibilities.</p> <p>February 2017 Audit Recommendations added.</p> <p>BCM Flow Chart added, BIA and Risk Analysis Templates and Resource Quantification Form added</p>	31/01/2018

References and other useful documents:

- [Civil Contingencies Act 2004](#)
- [Business Continuity Management Toolkit Version 1](#)
- Business Continuity Management Standards (BS 25999 + ISO 22301)
- Torbay Council Performance and Risk Management Strategy

For further information about this Strategy or support with Business Continuity Planning, please contact the Emergency Planning Service on 207045 or emergency.planning@torbay.gov.uk

1. What is Business Continuity Management?

Risk Management is an umbrella function for managing risk across Torbay Council. It is split into four main areas of service delivery:

- Corporate Health and Safety
- Corporate Risk Management
- Emergency Planning
- Business Continuity Management

Other essential services involved in managing risk include:

- Corporate Security
- Financial Services
- IT (Cyber Security / Disaster Recovery)
- Information Governance
- Legal Services, Insurance and Claims

Business Continuity Management (BCM) compliments a good risk management framework and provides a platform for understanding the risk to the councils essential services and activities.

The Civil Contingencies Act 2004 recognises the importance of BCM and requires all “Category 1 Responders” to maintain internal BCM arrangements and in addition, requires local authorities to promote BCM to commercial and voluntary organisations.

BCM involves identifying the parts of our organisation that we can’t afford to lose, and planning how we can maintain them, if a disruptive event occurs. Any incident, large or small, whether it is natural, accidental or deliberate, can cause significant disruption to the services we deliver. If we plan now, rather than taking a reactive approach, we should be more resilient and better equipped to recover from a disruptive event.

To implement BCM we need to consider the following questions:

- What are the council’s essential services and activities?
- What are the impacts following a disruption to essential services and activities?
- What is the maximum length of time that essential services and activities are able to tolerate disruption?
- What are the recovery time objectives for the essential services and activities to resume?
- What are the risks and threats to essential services and activities?
- What resources (e.g staff, information, communications, technology, documents, premises, partnerships, etc) are required to deliver essential services / activities?
- How can essential services and activities be maintained in the event of an incident (for example, loss of staff, loss of information, communications, technology, etc)?

2. Business Continuity Management Planning Assumptions

This strategy is designed to assist those who are responsible for ensuring that Business Continuity Management (BCM) arrangements are implemented and embedded across the organisation.

Policies and procedures need to be embedded within the organisation to reduce the likelihood and impact of disruptive events. Risk related policies include:

- Performance and Risk Management,
- Business Continuity Management
- Emergency Preparedness, Response and Recovery,
- Corporate Security, Health & Safety, Evacuation Procedures
- Cyber Security and ICT Disaster Recovery.
- Insurance, Financial Regulations and Standing Orders,
- Information Governance (including data protection)

2.1 Definition of a Critical Function (CF)

The councils definition of a **critical function** is:

“An essential service or activity that is delivered by Torbay Council or one of its service providers”

The word “essential” is fairly subjective and can be interpreted by people in many different ways.

To provide a level of consistency, service managers should complete a Business Impact Analysis (BIA) and Risk Analysis for the services and activities that they consider “essential”.

If the Impact Score is rated High (3) or Very High (4), the service manager should e-mail the completed BIA and Risk Analysis to emergency.planning@torbay.gov.uk.

The Emergency Planning Service will provide the Senior Leadership Team (SLT) with relevant information from the Business Impact Analysis and Risk Analysis.

SLT will assess the information provided and will decide whether an essential service or activity will be classified as a “**critical function**”.

3. Business Continuity Management Framework

There are 3 elements to the BCM Framework at Torbay Council, as follows:

1. Corporate Business Continuity Plan

The ‘Corporate Business Continuity Plan’ consists of a Corporate List of Critical Functions and a suite of departmental / service area Business Continuity Plans that can be activated when a large / widespread disruptive event affects several departments and service areas over a protracted period of time.

Examples of large / widespread disruption that may require the activation of the Corporate Business Continuity Plan include Pandemic Influenza, Cyber Attack or Transport Disruption due to Severe Weather or Fuel Shortage)

2. Department / Service Area Business Continuity Plans

Departmental / Service Area Business Continuity Plans can be activated individually to manage small / localised disruptions within individual departments or service areas.

3. Location Specific Business Continuity Plans

Location Specific Business Continuity Plans are required to manage localised disruptions to specific council buildings where critical functions may be affected. For example: Loss of Access to Torquay Town Hall or Tor Hill House.

Type of BC Plan	Components	Owner
Corporate	Corporate List of Critical Functions + Service Area Business Continuity Plans	Senior Leadership Team
	Staff Matrix?	Assistant Director: Corporate & Business Services?
	List of Critical Function ICT requirements	Executive Head: Customer Services
Departmental / Service Area	Service Area Business Continuity Plans	Department / Service Manager
Location Specific	Business Continuity Plans for: Loss of a Building / Part of a Building	Designated Building Manager
	Business Continuity Plan for: Loss of Utilities (Water, Gas, Electricity)	(an appropriate member of the Senior Leadership Team)?

4. Business Continuity Management Responsibilities

4.1 Service Area Managers:

- Identify the essential services and activities delivered by your service area
- Undertake a Business Impact Analysis and Risk Analysis (Appendix B & C)
- Notify emergency.planning@torbay.gov.uk of any essential services and activities that achieve a Business Impact Assessment score of 3 or above.
- If the Senior Leadership Team have classified your service or activity as a “critical function”, complete a Resource Quantification Form (Appendix E) to identify the resources that are essential for maintaining your critical functions.
- Produce Business Continuity Plans that contain robust mitigation measures to ensure that critical functions are maintained and recovered during a disruptive event.
- Where critical functions are commissioned, contracted or provided by other organisations seek assurance that robust Business Continuity Plans are in place to maintain and recover critical functions during a disruptive event.
- If you are unable to mitigate the risk within your service area, record the risk on the service specific (operational) risk register.
- Ensure that your Business Continuity Plan is signed off by the appropriate member of SLT.
- Send a copy of your Business Continuity Plan to emergency.planning@torbay.gov.uk and ensure that other relevant staff have access to a copy.
- Ensure that staff are aware of BC arrangements and receive appropriate and relevant training.
- Carry out a Table Top or Live Exercise to test and validate your Business Continuity Plan(s).
- Ensure that your Business Continuity Plans are reviewed, updated and exercised annually or following a significant corporate re-structure.
- Consider whether Business Continuity arrangements are required for non-critical functions.
- Consider the effects of an increased demand on services for an extended period, for example the need to respond to a major emergency such as a major flood event, communicable disease outbreak or coastal pollution incident.
- Consider activating your Business Continuity Plan, if a disruptive event has occurred, or is likely to occur. (Refer to Section 5.4.2 for further information)
- Notify the appropriate member of the Senior Leadership Team if the disruptive event has had, or is likely to have, an impact on your critical functions.
- If established, attend the Business Continuity Management Team on request (See Section 5.4.4)

4.2 Senior Leadership Team:

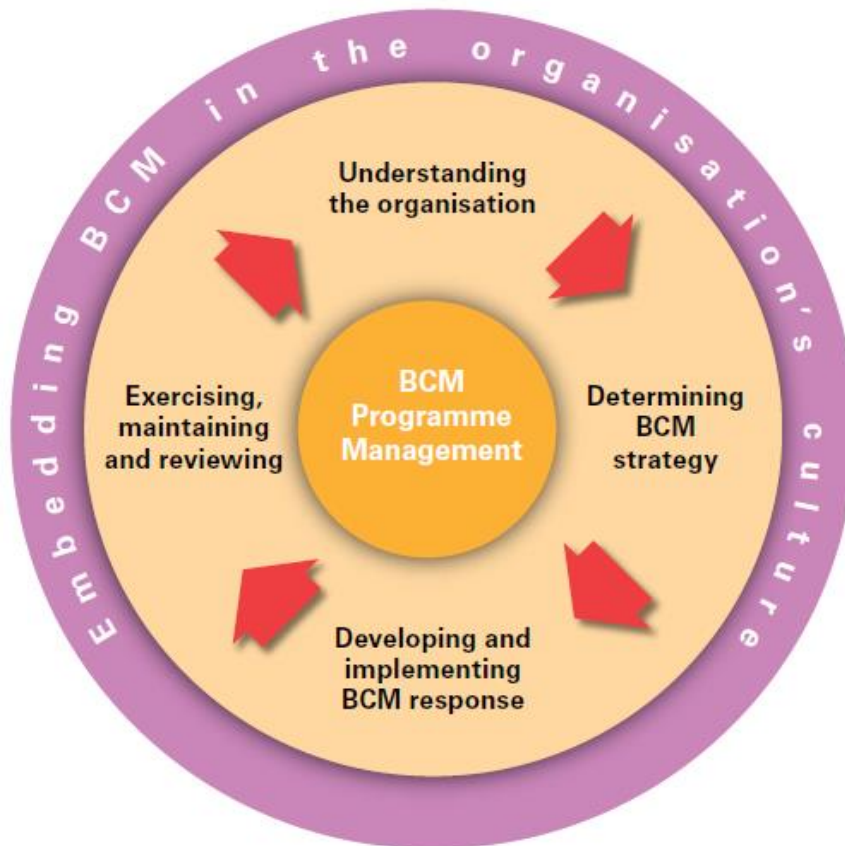
- Review the essential services and activities that have been submitted by service area managers.
- Decide which essential services and activities should be classified as “critical functions”
- Notify the Emergency Planning and ask them to update the “Corporate List of Critical Functions”.
- Notify the Corporate Support Team and ask them to update the Corporate Risk Register.
- Ensure that Service Managers have completed Business Continuity Plans that contain robust mitigation measures to ensure that critical functions are maintained and recovered during a disruptive event.
- Review and sign off departmental / service area Business Continuity Plans
- Review Business Continuity Management arrangements every 3 months or following an incident or significant corporate re-structure.
- Ensure that Business Continuity requirements are written into contracts when commissioning, contracting or sharing services that deliver critical functions on behalf of the council.
- Consider how Business Continuity assurance will be provided by commissioned services, joint ventures or contracted services.
- If required, establish an Incident Management Team to coordinate the council’s emergency response and recovery activities.
- Establish a Business Continuity Management Team if a significant number of departments or service areas have been affected, or are likely to be affected by a disruptive event.
- Use the Corporate List of Critical Functions to identify and prioritise the councils critical functions and ensure that the relevant Business Continuity Plans are activated during a disruptive event.
- Consider the impact of increased demand on services for an extended period, for example the need to respond to a major emergency such as a major flood event, communicable disease outbreak or coastal pollution incident.
- Ensure that a debrief takes place following a disruptive event. A debrief report should identify the learning points and any subsequent recommendations should be used to form an action plan.

4.3 Emergency Planning Officer (EPO):

- Provide quarterly briefings to the Senior Leadership Team regarding BCM arrangements which may include updates on new critical functions, business continuity plans, training & exercising.
- Provide advice and support to officers with responsibility for writing Business Continuity Plans.
- Maintain a record of BC plans and upload onto the Resilience Direct website
- Facilitate and/or support BC training and exercises to ensure that plans are tested and relevant staff have an awareness of the councils Business Continuity Management arrangements.
- Provide advice and support following activation of the Business Continuity Management Team (BCMT) during a disruptive event / business continuity incident.

5. Business Continuity Management (BCM) Cycle

The Business Continuity Management (BCM) cycle consists of six elements as set out in the Business Continuity Management Standard (BS 25999-2) and depicted in the diagram below.



BS 25999-2 has been superseded by ISO 22301, but the council has taken the decision not to adopt the new standard, for the following reasons:

1. BS 25999 had been, and continues to be, used by many organisations across the world as the basis of their BCM procedures and processes.
2. A comparison of BS 25999-2 and ISO 22301 identifies that both standards include many of the same core elements. The new concepts contained ISO 22301 do not provide significant added value to justify updating Business Continuity Plan to the new standard.

5.1 BCM Programme Management

Effective programme management is integral to the cycle and should ensure that Business Continuity Management capability is established and maintained within your organisation.

There are three steps in the process:

- Assigning responsibilities (Refer to Section 4);
- Establishing and implementing BCM within Torbay Council; and
- Ongoing management provided by the Senior Leadership Team and Service Managers

5.2 Understanding the Organisation

A Business Impact Analysis (BIA) and Risk Analysis should be carried out to facilitate an understanding of our organisation and to build our Business Continuity Management capability.

5.2.1 Step 1: Business Impact Analysis (BIA)

A Business Impact Analysis (BIA) is a process which identifies:

- The council's essential services and activities (including important deadlines and timeframes)
- The impact that would occur if the essential service / activity is disrupted.
- The maximum length of time that essential services / activities are able to tolerate disruption
- The recovery time objectives for essential services / activities to resume

Impacts caused by disruption to essential services include:

- Breach of Statutory Duties or Regulatory Requirement
- Damage to the Economy (Business & Tourism)
- Damage to the Environment
- Financial Impact (Income / Payments / Claims)
- Health, Safety and Welfare of Staff / Public
- Impact on Reputation
- Impact on Interdependencies (Other Service Areas / Contractors / Providers / Partnerships)

The Business Impact Analysis template (Appendix B) should be completed by Service Managers.

5.2.2 Step 2: Risk Analysis

Risk Analysis, within the context of Business Continuity Management, is a simple process of identifying the risks and threats that are likely to cause disruption to essential services and activities.

These include:

- Loss of Staff
- Loss of ICT (Network, Hardware, Software, e-mail, etc.)
- Loss of Telecommunications
- Loss of a Key Supplier, Contractor, Service Provider
- Loss of a Data / Records
- Loss of Income
- Loss of Premises
- Loss of Utilities (Water, Gas, Electricity, Fuel)

The Risk Analysis template (Appendix C) should be completed by Service Managers. It assesses the potential impact of risk and threats and provides an opportunity for the council to mitigate risk before a disruptive event occurs.

5.2.3 Step 3: Consultation with the Senior Leadership Team

Service Managers should submit BIA and Risk Analysis information to the Senior Leadership Team if the Impact Score is rated High (3) or Very High (4).

If the Impact Score is rated 2 (Medium) or 1 (Low) the service manager will manage the risk and will decide whether a Business Continuity Plan is required to mitigate disruption to the service.

The Senior Leadership Team should then decide which services and activities need to be classified as “critical functions”. The services and activities that are classified as critical functions should be added to the Corporate Risk Register by the Corporate Support Team.

The Corporate List of Critical Functions forms the basis of the Corporate Business Continuity Plan and can be used by the Business Continuity Management Team (BCMT) to identify and prioritise critical functions during a disruptive event.

The Corporate List of Critical Functions is maintained by the Emergency Planning Service.

5.2.4 Step 4: Resource Requirements

A ‘Resource Quantification Form’ (Appendix E) should be completed for each critical function.

Details captured on the Resource Quantification Form should include:

People

- The optimum number of staff that is required to deliver the critical function
- The minimum staffing level with which some sort of service could be provided
- The skills / level of expertise that are required to deliver the critical function

Premises

- The locations that critical functions operate from
- The office facilities, furniture and equipment that is essential to carry out your critical function

Technology

- The Computer Hardware and Software that is essential to carry out your critical function
- The specific systems and means of voice and data communication that are required to carry out your critical functions and how long could you reasonably be expected to deliver your critical function without them.

Information

- The information that is essential to carry out your critical function
- How and where this information is stored
- How this information is accessed and retrieved

Other Service Areas, Commissioned Service Providers, Contractors, Suppliers and Partners

- The priority suppliers / partners whom you depend on to deliver your critical function
- The critical functions that are contracted / delivered by partner agencies
- The reciprocal arrangements between services areas, departments and other organisations

5.3 Determining BCM Strategy

This stage of the BCM process is about identifying and documenting the actions that we can take to maintain the resources that underpin the delivery of the council's critical functions.

For example, the mitigation strategies that we might consider for dealing with staff absence might include some or all of the following (this list is not exhaustive):

- Ability to work from home if there is no access to the workplace or staff are unable to travel
- Inventory of staff skills not utilised within their existing roles - to enable redeployment
- Process mapping and documentation - to allow staff to undertake unfamiliar roles
- Multi-skill training of each individual
- Cross-training of skills across a number of individuals succession planning
- Mutual aid or the use of third party support, backed by contractual agreements

Services managers will be required to complete a Business Continuity Plan (Appendix F) to ensure that their critical functions can be maintained and recovered during a disruptive event.

Service Managers should use the Business Continuity Plan template provided in Appendix F. This will help to ensure that consistent Business Continuity arrangements are in place across the council.

Guidance on completing a Business Continuity Plan (Appendix G) has been provided to assist managers who are responsible for writing plans. The Emergency Planning Service may also be available to offer advice and support.

Service Managers should ensure that their Business Continuity Plans contain robust mitigation strategies. This may include consulting with corporate support services (ICT, HR, FM etc) if the service that they provide is considered essential for maintaining a critical function.

Where a critical function is commissioned, contracted or provided by another organisation, the service manager should seek assurance that robust Business Continuity Plans are in place to maintain and recover critical functions during a disruptive event.

5.4 Developing and Implementing a Response

5.4.1 Preparedness

The Emergency Planning Service will monitor the hazards and threats that have been identified on the Local Resilience Forum (LRF) Community Risk Register (CRR) and will anticipate, so far as is reasonably practicable, any potential incidents that could affect the council.

In some situations it may be possible to assess the impact of a disruptive event and consider mitigation strategies prior to the event occurring. For example, a flu pandemic or a prolonged period of cold weather, snow and ice.

If the Emergency Planning Service becomes aware of an incident that could affect the delivery of critical functions, they will notify a Director, Assistant Director or Executive Head and will recommend that an Incident Management Team and/or Business Continuity Management Team (BCMT) is established (Refer to Section 5.4.3 / 5.4.4)

5.4.2 Activation of Business Continuity Plans

Individual Business Continuity Plans

Minor disruptive events can generally be managed within individual departments or service areas.

Service area managers should activate their Business Continuity Plans if their delivery of their critical functions is at risk from a disruptive event.

For example, what would happen if multiple members of staff within a service area were expected to be off sick for a week or more, or an essential database was unavailable for several days?

For these examples, the expectation would be that the service manager would activate their Business Continuity Plan and apply the mitigation measures that have been written into their plan. This may involve redeploying staff from other teams under their management, re-prioritising workloads, and identifying alternative ways for working of accessing information.

The service manager should notify the relevant Director, Assistant Director or Executive Head if a Business Continuity Plan has been activated or is close to being activated.

Once the plan has been activated, the staff that work in the affect area should be contacted, if not already aware, and asked to be on standby to receive instructions.

The service manager should consider the impact on other service areas and ensure that, where appropriate, all key stakeholders/partners are informed and updated.

The service manager should also maintain a log of any decisions made or actions taken.

The Corporate Business Continuity Plan

If a large / widespread disruptive event (e.g pandemic influenza, cyber attack, fuel crisis, etc) affects several departments and service areas over a protracted period of time, it may be necessary to activate the “Corporate Business Continuity Plan”.

The ‘Corporate Business Continuity Plan’ consists of a Corporate List of Critical Functions and a suite of Departmental / Service Area Business Continuity Plans.

This decision to would be taken by a member of the Senior Leadership Team and, in this instance, Business Continuity activities would need to be managed locally but monitored and coordinated strategically by a Business Continuity Management Team (Refer to Section 5.4.4).

5.4.3 Incident Management Team

An Incident Management Team may be established to coordinate the council’s emergency response and recovery activities. The Incident Management Team should also consider the impact on council services and, if required, will ensure that a Business Continuity Management Team is established.

5.4.4 Business Continuity Management Team (BCMT)

A Business Continuity Management Team (BCMT) should be established if a significant number of services or activities have been affected, or are likely to be affected by a disruptive event.

The role of the Business Continuity Management Team is to:

- Assess the Risk or Threat.
- Identify the services and activities that are likely to be affected
- Prioritise the delivery of the councils critical functions
- Gather / Analyse Information (e.g daily absenteeism reporting)
- Assess the impact on corporate critical functions
- Establish Recovery Time Objectives
- Activate relevant Business Continuity Plans (e.g Service Area, Building or ICT Plans)
- Identify resource requirements (staff, suppliers, IT, communications, documents, premises etc.)
- Identify the options for preventing, reducing, mitigating disruption
- Take action to ensure that corporate critical functions are maintained.
- Take action to ensure the recovery of corporate critical functions
- Maintain a log of decisions, actions, costs, etc.
- Liaise with the Incident Management Team (if established to coordinate the response to an emergency)
- Provide relevant information to staff, elected members, commissioned services, contractors, suppliers and other partner agencies.
- If services are likely to be disrupted, provide effective and timely communication with the public.
- Monitor staff welfare issues: health and safety, mental health, morale, working hours, etc.

Membership of the Business Continuity Management Team should include:

- Business Continuity Incident Manager (Chief Executive, Director or Executive Head)
- Departmental Leads (who are responsible for maintaining critical functions)
- Service Managers (who are responsible for maintaining critical functions)
- Critical Support Services (Human Resources, ICT, Facilities Management, etc)

A Business Continuity Management Team Agenda is available in Appendix H

5.5 Exercising, Maintaining and Reviewing BCM arrangements

This element of the BCM lifecycle details the various ways that plans can be validated by testing and exercising. It also reiterates the importance of monitoring, reviewing and updating plans at regular intervals to ensure plans remain fit for purpose.

5.5.1 Exercising

BCM arrangements cannot be considered reliable until they are exercised and have proved to be effective. Exercising should involve; validating plans, rehearsing key roles and responsibilities; and testing systems which are relied upon to deliver resilience. The four main types are: Testing, Discussion, Table-top and Live Exercises. Whatever type of exercise you opt for, it is worth inviting stakeholders such as partner organisations. It would also be prudent to invite other business units/stakeholders that you rely on to deliver your critical functions.

The frequency of exercises will depend on available resources, but should take into account the rate of change (to the organisation or risk profile), and outcomes of previous exercises (if particular weaknesses have been identified and changes made). As a minimum, Business Continuity Plans should be exercised annually or following an incident or significant corporate restructure.

It is important to record and evaluate exercises by undertaking a debriefing immediately after the exercise. A subsequent 'lessons identified' report should be produced to highlight any actions or recommendations that may be required. The report should be made available to the relevant service area manager(s) and their representatives within the Senior Leadership Team.

Not all aspects of a plan can be **tested**, but some crucial elements can be, such as the contact list and the activation process. You can also test your IT and communications equipment and information management arrangements.

A **discussion** based exercise is the cheapest to run and easiest to prepare. This type of exercise will bring staff together to inform them of the plan and their individual responsibilities. It will also involve a discussion of the plan to identify problems and solutions. This type of exercise is particularly useful for training purposes and provides an important tool for embedding BCM in our organisational culture. It is also effective for initial validation of new plans.

A **table-top** exercise is scenario based and is likely to offer the most efficient method of validating plans and rehearsing key staff. It brings staff together to take decisions as a scenario unfolds in very much the same way they would in the event of a real incident. Ordinarily it will be held in a round table format and last between 2 hours and half a day. The advantage of this type of exercise is that it engages players imaginatively, generates high levels of realism and provides participants with an opportunity to get to know the people with whom they would work in the event of a real incident.

The Emergency Planning Service has access to a number of exercise scenarios and may be able to facilitate or provide support to managers with the planning and delivery of exercises.

A **live exercise** can range from a small scale test of one component, such as evacuation, through to a full scale test of all components of the plan. Live exercises are a necessity for components such as evacuation that cannot be tested effectively in any other way. While single component tests are relatively easy to set up, full tests are much more complex and can be costly. Before embarking on a live exercise it is important to consider whether we have the necessary capacity to run the exercise without it causing a disruption to service delivery.

5.5.2 Maintaining

The Senior Leadership Team should ensure that service managers update their Business Continuity Plans annually or following an incident or significant corporate restructure. The review should include:

- Essential services or activities that have been submitted to SLT for consideration
- Changes to the organisation, including restructures and staffing and resources
- Changes to methods of the delivery of critical functions
- Changes to the external environment in which the organisation operates; and
- Lessons identified from exercises or actual incidents

A version control has been incorporated into the BCM Strategy and BC Plan template to ensure that the council is able to identify when the document was last reviewed and/or updated. The version control should also indicate what the changes are and why the changes have been made.

5.5.3 Reviewing

Torbay Councils BCM arrangements should be reviewed by the Senior Leadership Team every 3 months or immediately following an incident or significant corporate restructure. Actions arising from the 3 monthly review of BCM arrangements should be recorded by a Governance Support Officer and assigned to the relevant Service Manager.

BCM arrangements will also be assessed **insert frequency here** by the Devon Audit Partnership.

The review should be documented and should verify that:

- The Corporate Business Continuity Strategy is fit for purpose and up to date
- The councils critical functions and supporting resources have been identified;
- Arrangements accurately reflect the councils strategic objectives;
- Arrangements are fit for purpose, and appropriate to the level of risk that the council faces;
- Maintenance and exercising programmes have been effectively implemented;
- BCM arrangements incorporate improvements identified during incidents and exercises and in the maintenance programme;
- An effective programme for training and awareness raising is in place; and
- Change control procedures are in place and working effectively

BCM arrangements should be assessed against the British Standard on Business Continuity Management (BS 25999) or the new International Standard ISO 22301.

The Emergency Planning Service will also be available to provide information and advice to the Senior Management Team and the Devon Audit Partnership, as required.

Outputs from exercising, maintaining and reviewing BCM arrangements should include:

- A position statement on Business Continuity Plans and ICT Recovery Plans
- An exercise programme, including the aims and objectives

- Recommendations from exercises or actual incidents that have occurred
- Evidence that Business Continuity risks are being transferred to the Corporate Risk Register
- A Business Continuity Management Report

5.6 Embedding BCM in the organisations culture

To be successful **BCM** has to become part of Torbay Council's culture. This can be achieved through a combination of awareness raising and training.

5.6.1 Awareness

Raising and maintaining awareness of BCM with staff to ensure that they are aware of why BCM is important to Torbay Council. Mechanisms for raising awareness include:

- Involving staff in the development of the organisation's strategy;
- Written and oral briefings;
- Learning from internal and external incidents; and
- Discussion based exercises

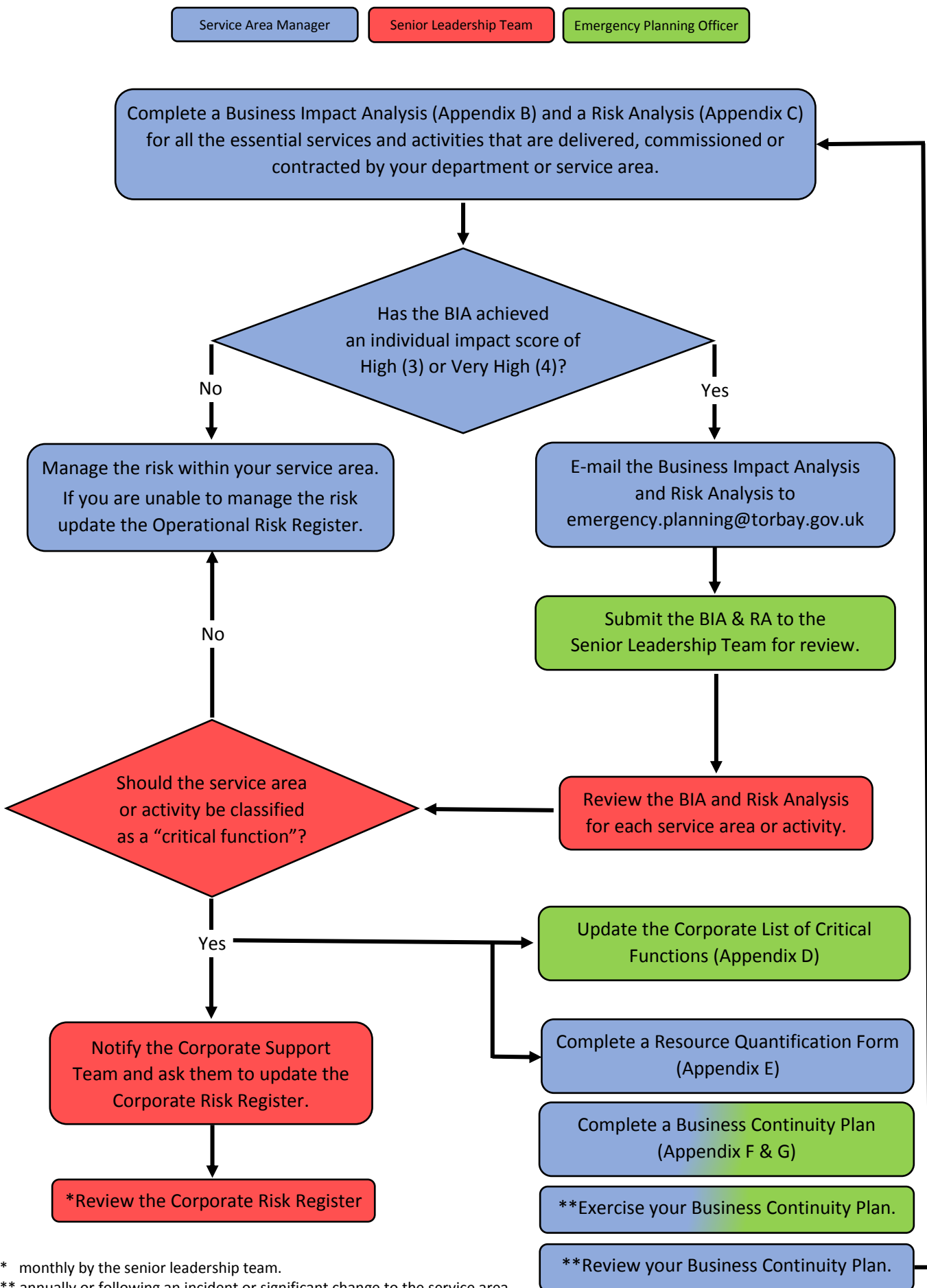
All new staff should be made aware of the organisation's BCM arrangements on joining and this should form an integral part of the induction process.

5.6.2 Training

It is good practice to ensure that staff with business continuity responsibilities receive training on Business Continuity Management.

As a minimum it is recommended that staff are made aware of this document and understand the process of Business Continuity Management.

Appendix A: Business Continuity Management Flowchart



* monthly by the senior leadership team.

** annually or following an incident or significant change to the service area

Audit Progress Report and Sector Update

Torbay Council
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Introduction



Alex Walling

Engagement Lead

T 0117 305 7804
M 07880 456 142
E alex.j.walling@uk.gt.com

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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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Mark Bartlett

Engagement Manager

T 0117 305 37896
M 07880 456 123
E mark.bartlett@uk.gt.com

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

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

Progress at 6 March 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We commenced our interim audit in January 2018. Our interim fieldwork visit includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing.

The findings from our interim audit are summarised at page 6 to 7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers, which is in line with that which was achieved last year.

The final accounts audit is due to begin on the 29 May with findings reported to you in the Audit Findings Report on 25 July 2018.

Value for Money

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

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

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

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

We made our initial risk assessment to determine our approach in January 2017 and are reporting this to you in our Audit Plan, which is included on the agenda of this meeting.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with Finance Officers in December as part of our regular liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive and Monitoring Officer in February to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our most recent event was our local government accounts workshop on 6 February in Plymouth. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017/18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

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

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

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	Work performed	Conclusions and recommendations
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements, with the exception the revaluations of PPE as this is completed at the end of the year.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first ten months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that we wish to highlight for your attention.</p>	<p>Our work has not identified any errors or weaknesses which impact on our audit approach.</p> <p>We will need to perform further procedures at the year end to test the remaining two months of the financial year, as well as to prove completeness of our populations.</p>
Early substantive testing	<ul style="list-style-type: none"> We have obtained a listing of non-pay expenditure for the first ten months of the financial year. We identified the large and unusual items and tested to supporting documentation to confirm accuracy, occurrence, classification and cut-off. We obtained a listing of all revenue income excluding council tax, NNDR and grants for the first ten months of the financial year and carried out testing to ensure that the income is in the right year, is appropriately coded and agrees to supporting documentation. We obtained a listing of welfare expenditure for the first ten months of the financial year and tested a sample to supporting documentation to confirm accuracy, occurrence, classification and cut-off. We performed a substantive analytical procedure for the first ten months of the financial year disaggregated by month. 	<p>Our work has not identified any errors or weaknesses which impact on our audit approach.</p>

Sector Update

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

Page 6 of 14
Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

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

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

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data

What organisations need to do by May 2018

- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

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Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law

Notifications and Rights

- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Claims and Fines

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

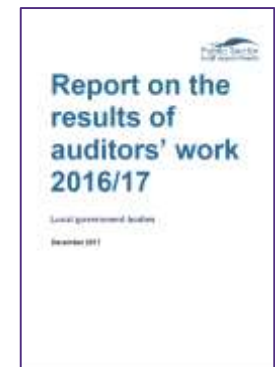
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



CIPFA publications - The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

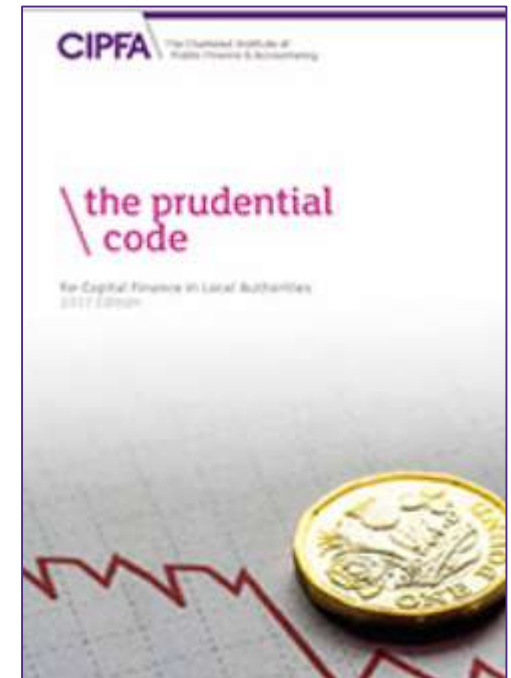
The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment.

The Code is available in hard copy and online.



The adult social care workforce in England

This National Audit Office report considers the Department of Health & Social Care's role in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

The Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing, according to the report. While many people working in care find it rewarding, there is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. In 2016-17, around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17), equivalent to £14,625 annually. This, along with tough working conditions and a poor image, prevents workers from joining and remaining in the sector.

There are around 1.34 million jobs in the adult social care sector in England, across more than 20,300 organisations. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. However, demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. To meet these challenges, the Department estimates that the workforce will need to grow by 2.6% every year until 2035.

The social care market is operating in challenging circumstances. Care providers, already under financial pressures, are struggling to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is expected to reduce further over the next two years due to continued government funding cuts and increased financial pressures on local authorities. Uncertainty over funding is limiting local authorities' ability to plan future spending on care.

The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. The vast majority of local authorities are paying fees to homecare providers that are below the recommended minimum price for care, putting providers in financial difficulties. Furthermore, local authorities are not paying the full cost for care home placements. If this continues, there is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.

The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. Furthermore, the NAO has not found any evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care, to help with the challenge. Without a national strategy to align to, few local areas have detailed plans for sustaining the care workforce.

The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Links

Grant Thornton website links

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

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

<http://www.grantthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

HCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

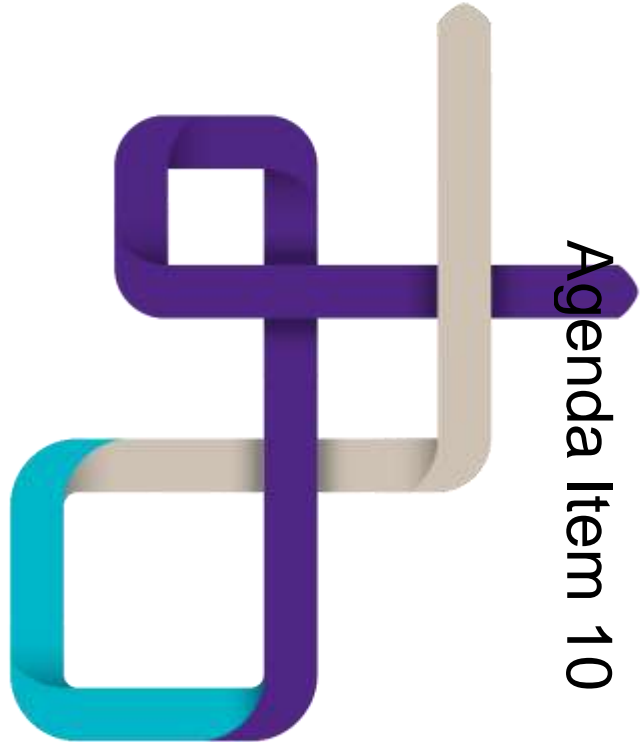
<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

External Audit Plan

Year ending 31 March 2018

Torbay Council
28 February 2018

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Agenda Item 10

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Your key Grant Thornton
team members are:

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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

Jonathan Stancombe

Associate

T: 0117 305 7733

E: jonathan.p.stancombe@uk.gt.com

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

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Torbay Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Torbay Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the audit committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of property, plant and equipment
- Valuation of pension fund net liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £5,604k (PY £5,524k), which equates to 1.95% of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £280k (PY £276k).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Ofsted inspection of Children's Services
- Medium Term Financial Planning
- Transformation Programme

Audit logistics

Our interim visit will take place in January and our final visit will take place in June. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £102,053 (PY: £102,053) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code.

Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. All of the councils in Devon and Somerset, along with other partners, are working in partnership towards achieving devolution for the Heart of the South West. The agreed key local themes are economic growth, health, social care and wellbeing, and infrastructure and local resilience. The Partnership remains committed to improving the productivity in the South West and has recently been consulting on its draft Productivity Strategy.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

The Council's accounts were published by 31 July in 2015/16 and 2016/17.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

We are discussing these issues with officers during our routine meetings and officers will also hear about these at our technical update workshops.

Key challenges

Financial pressures

The Council continues to face budgetary pressures under the four year funding agreement, with Revenue Support Grant (RSG) levels reducing from £20m in 2016/17 to £6m by 2019/20.

The Council's Medium Term Resource Plan will be updated by the end of March 2018 to reflect the 2018/19 budget and the latest estimates of costs and funding. The Chief Finance Officer's Report on the Revenue Budget 2018/19 indicated that savings in the region of £8m will be required between 2019/20 and 2020/21 in order to achieve a balanced budget.

Transformation Programme

The Council has an extensive transformation programme comprising of different projects that aim to meet the ambitions of its corporate plan and the financial challenges in the medium term.

The projects range from the investment Fund, which seeks to invest in property to achieve a higher rate of return and setting up housing companies for both the rental and development of housing in Torbay through to alternative ways of delivering services such as libraries and public conveniences.

The anticipated savings and efficiencies from these transformation projects are key to the Council's plans to address the financial pressures it faces.

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your refreshed medium term resource plan and progress with your transformation programme, as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.
- Where actions have been agreed in respect of matters identified through previous audit work, both on the financial statements and in respect of work on arrangements to secure VFM, we will consider progress against the previously agreed recommendations.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Torbay Council.</p>
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

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Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. Consider the competence, expertise and objectivity of any management experts used. Have discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. Test revaluations made during the year to ensure they are input correctly into the Council's asset register. Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2018.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Employee remuneration</p>	<p>Payroll expenditure represents a significant percentage (20%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • perform a substantive analytical procedure disaggregated by month; • obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigate significant adjusting items. • agree payroll related accruals (e.g. unpaid leave accrual) to supporting documents and review any estimates for reasonableness.
<p>Operating expenses</p>	<p>Non-pay expenses on other goods and services also represents a significant percentage (70%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We identified completeness of non- pay expenses as a risk requiring particular audit attention:</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • document the accruals process and the controls management have put in place. Challenge any key underlying assumptions, the appropriateness of the source of data used and the basis for calculations. • obtain and review the year-end Accounts Payable (AP) reconciliation, and investigate any significant reconciling items. • perform testing of non-payroll payments made in April, to ensure they are accounted for in the correct period.

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Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

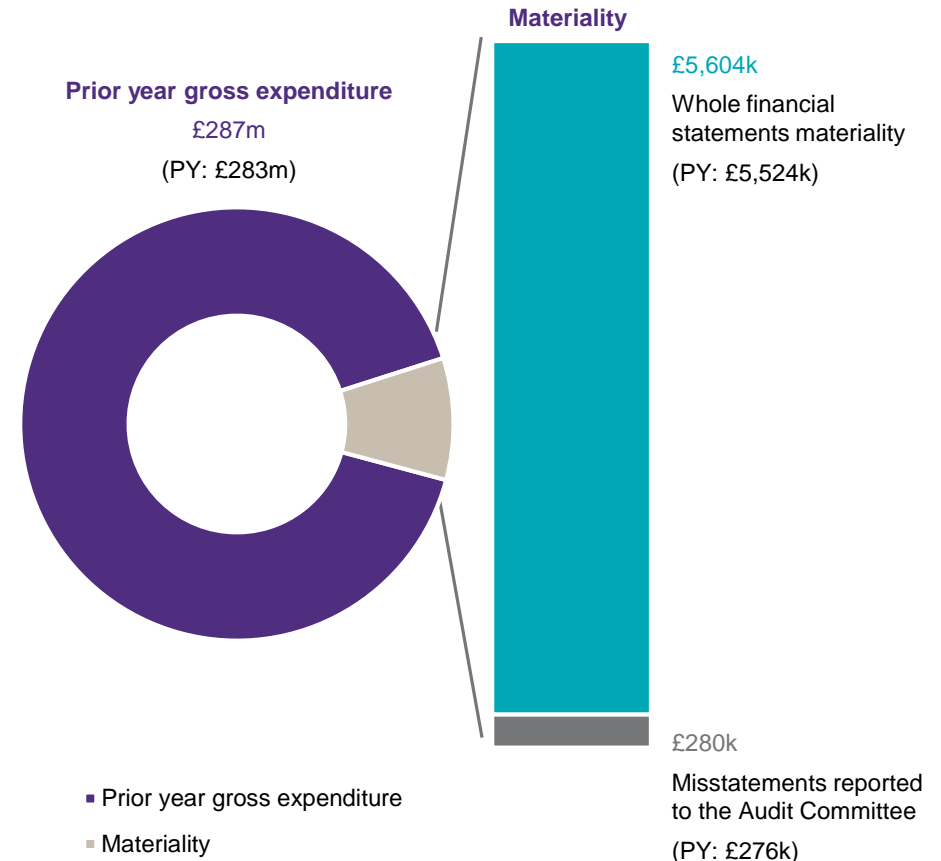
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £5,604k (PY £5,524k), which equates to 1.95% of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £280k (PY £276k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

Background to our VFM approach

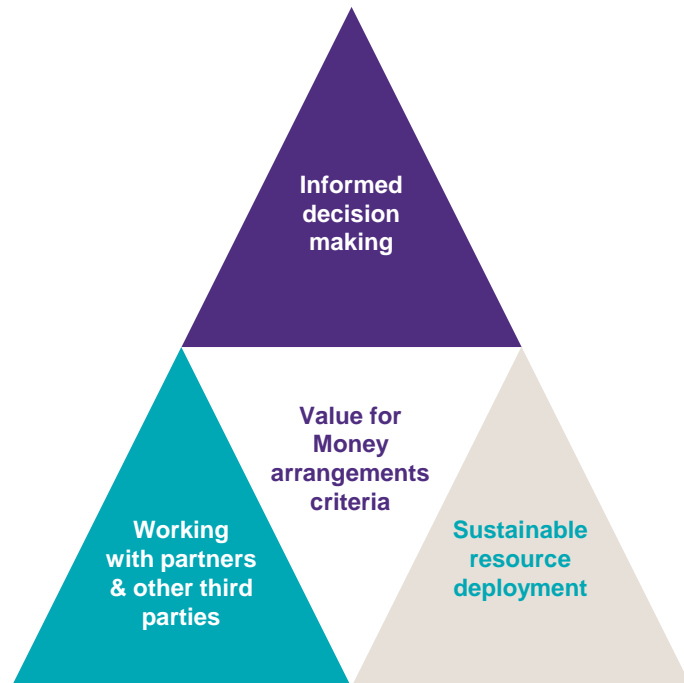
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money. We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.



Ofsted inspection of children's services

Ofsted issued a report on the Council's children's services in January 2016 which rated these as 'inadequate'. Until such time as Ofsted has confirmed that adequate arrangements are in place this remains a significant risk to the Council's arrangements. Following government direction the Council will be entering a contractual arrangement with Plymouth City Council, who will provide Children's Services in behalf of the Council.

We will review the latest position on the arrangements for Plymouth City Council to deliver Children's Services for Torbay from 1/4/18. We will also review update reports from Ofsted as they become available and take these into account in forming our conclusion.



Medium term financial planning

The Chief Finance Officer's Report on the 2018/19 budget indicates shows that the Council needs to identify further savings in the region of £8m over the 2019/20-2020/21 period. The Medium Term Resource Plan (MTRP) is due to be updated by the end of March 2018 to reflect the 2018/19 budget and the updated forecast position on future funding and pressures.

We will review the Council's latest MTRP and the 2018/19 budget, considering the assumptions that underpin the figures within them. We will also review the 2017/18 savings achieved against those originally planned.



Transformation Programme

The Council is progressing a number of transformation projects as it seeks alternative methods of delivery and increased rates of return on investment. It has established an Investment Fund to invest in property and the level of funds committed has increased to over £115m. It has also set up a holding company for two Housing Companies although these are not trading in 2017/18. There are various other transformation projects progressing at different stages.

We will review the arrangements being put in place by the Council for these new initiatives, including whether appropriate advice has been taken.

Audit logistics, team & audit fees



Alex Walling, Engagement Lead

Alex is responsible for the overall delivery of the audit. She will meet regularly with senior management of the Council and will attend Audit Committee meetings.



Mark Bartlett, Audit Manager

Mark oversees day to day planning and manages the work of the Audit Incharge and associates to ensure that the audit work is focused on the key areas of the financial statements risks and compliance with relevant accounting standards and guidance.



Jonathan Stancombe, Audit Incharge

Jonathan is responsible for the on-site delivery of the audit work. He assigns activities across the team and ensures it is completed satisfactorily

Audit fees

The planned audit fees are no less than £102,053 (PY: £102,053) for the financial statements audit and £8,125 (PY: £9,630) for the grant certification work. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit, as in the last two years, and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 11). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

No non-audit services were identified.

Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

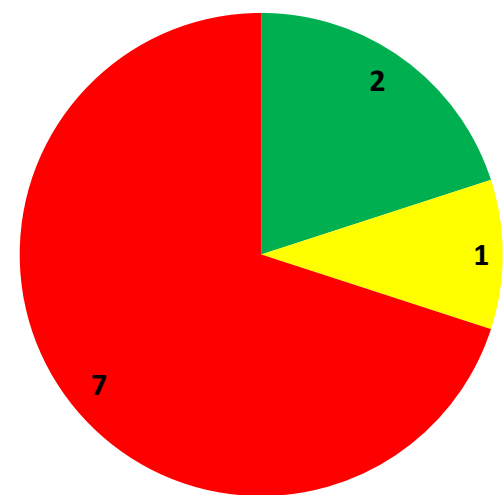


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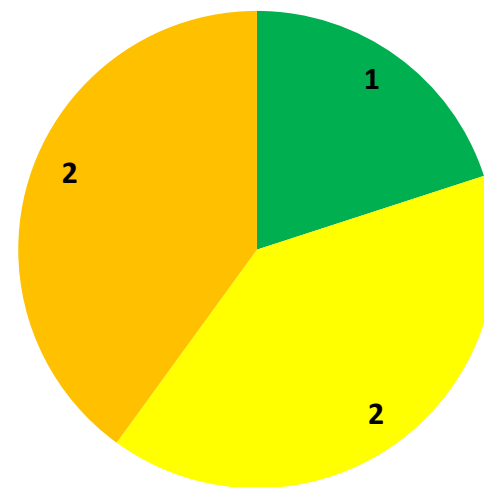
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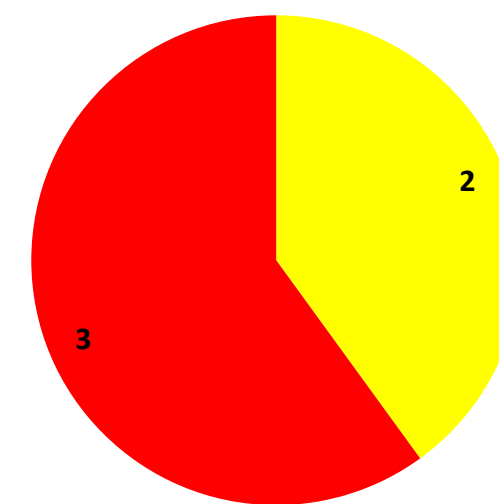
Corporate Performance Report Q3 2017/18



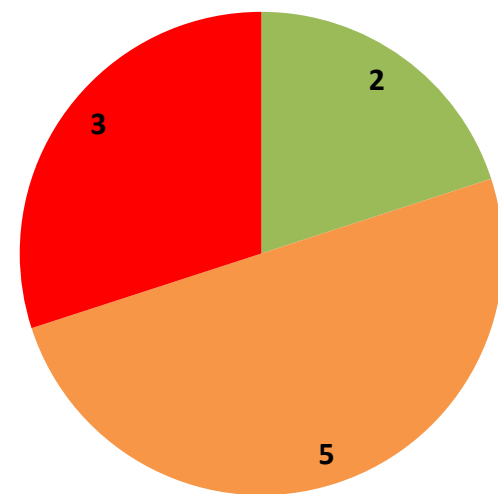
Attractive and Safe PIs (10)



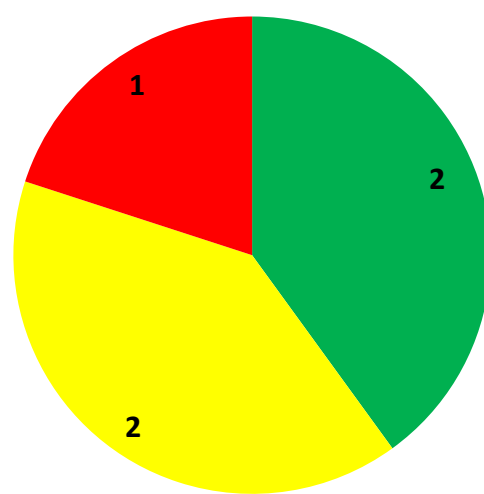
Promoting Healthy Lifestyle PIs (5)



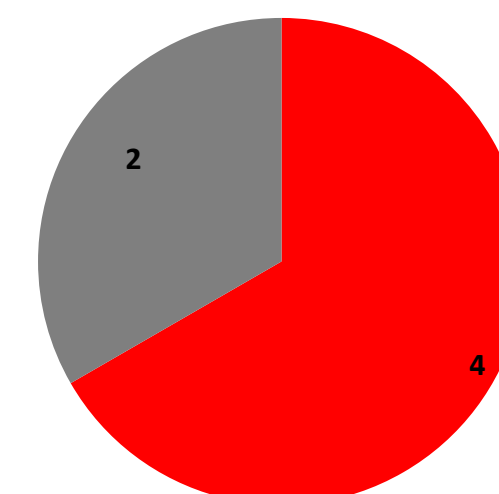
Prosperous Torbay PIs (5)



Protecting all children and giving them the best start in life PIs (17)



Protecting Vulnerable Adults PIs (5)



Running an Efficient Council PIs (6)

Key to Performance Status:



An Attractive and Safe Place

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 4 2016/17	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Last period value
ASPI00 a	Numbers on the housing waiting list by Band A.	It's better to be low	Well Above Target	Band A 4	Band A 2	4	5	3	5	5
ASPI00 b	Numbers on the housing waiting list by Band B.	It's better to be low	Well Below Target	Band B 340	Band B 300	340	319	205	223	223
ASPI01	Average number sleeping rough	It's better to be low	Well Above Target	22	20	22	23	22	32	32

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 4 2016/17	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Cumulative to date
ASPI02	Numbers in Temporary accommodation	It's better to be low	Well Above Target	554	315	139	126	156	132	414
ASPI04	Total number of placements of 16-17 year olds in emergency temporary accommodation	It's better to be low	Well Below Target	50	31	6	11	1	7	19
ASPI05	Domestic violence incidents	It's better to be low	Well Above Target	3,020	2,265	768	881	982	818	2,681
ASPI06	MARAC Referrals	It's better to be low	On Target	344	258	70	85	97	87	269
ASPI07	MARAC Repeat Referrals	It's better to be low	Well Above Target	153	115	39	49	61	48	158

Code	Title	Polarity	Status	Prev Year End	England Value	Quarter 4 2016/17	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Last period value
NI191	Residual household waste per household	It's better to be low	Well Above Target	129kg	120kg	130.8	132.4	137	Not due	137
NI192	Percentage of household waste sent for reuse, recycling and composting (LAA)	It's better to be high	Well Below Target	42.61%	47.00%	44.79%	44.80%	44.01%	Not due	44.01%

Promoting healthy lifestyles

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

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.06i HI	Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)	It's better to be low	Above Target	24.2%	22.6%	2016/17	24.3%
PHOF2.15i HI	Successful completion of drug treatment – opiate users	It's better to be high	Well Above Target	5.9%	6.7%	2016	8.4%
PHOF2.13i HI	Percentage of physically active adults	It's better to be high	On Target	52.4%	64.9%	2015/16	55.5%
PHOF2.13i iHI	Percentage of physically inactive adults	It's better to be low	Above Target	34.2%	22.3%	2015/16	24.3%
PHOF2.12 HI	Excess weight in adults - Percentage of adults classified as overweight or obese	It's better to be low	On Target	68.1%	61.3%	2015/16	61.2%

Prosperous Torbay

Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	Feb-16	May-16	Aug-16	Nov-16	Last period value
PTPI01	Working age Client Group - Main benefit claimants	It's better to be low	Well Above Target	13.9%	8.4%	13.5%	13.0%	12.9%	12.8%	12.8% (9,820)

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 4 2016/17	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Last period value
PTPI02	Gross rateable value of Business Rates (NNDR)	It's better to be high	On Target	£98,335,134	£93,730,289	£98,335,134	£92,749,475	£93,045,830	£92,880,115	£92,880,115

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Last period value
PTPI03	Out of Work Benefits Claimant Count	It's better to be low	On Target	2.2%	2.0%	2.1%	2.2%	2.2%	2.2%	2.1%	2.0%	1.9%	1.8%	1.8%	1.9%	2.0%	2.1%	2.1%

Code	Title	Polarity	Status	Prev Year End	Great Britain Value												Last period value
PTPI05	Earnings by Residence (weekly full time)	It's better to be high	Well Below Target	£442.40	£552.70	2017											£477.10
PTPI06	Earnings by Workplace (weekly full time)	It's better to be high	Well Below Target	£422.40	£552.30	2017											£467.10

Protecting All Children and Giving Them the Best Start in Life

Protecting All Children and Giving Them the Best Start in Life: Performance Indicators (Data is derived from a live database that is continually updated. Previously reported numbers are subject to change)

Code	Title	Polarity	Status	Average Monthly for 16/17 Year	Anticipated Performance Level	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Last period value
1	Number of Early help referrals received in month	In line with our service expectations	Below expected levels	101	100 per month (1200)	98	58	88	50	88	57	66	56	60	68	84	36	36
4	Number of Social Care Referrals	Its better to be low	At or below expected levels	139	135 per month or 1,620 per year	113	156	173	111	183	215	180	137	122	112	161	105	105
11	% of children with an Initial Child Protection Conference held within 15 days from strategy meetings	Its better to be high	Below expected levels	91%	100.0%	97%	94%	78%	91%	78%	67%	63%	63%	57%	73%	53%	68%	68%
12	Number of CP plans at month end by Category	In line with benchmarks	Above expected levels	158	140	190	188	215	231	226	236	234	248	247	220	198	176	176
	Timeliness of Single Assessments - completed in month	Its better to be high	Below expected levels	69%	82%	67.1%	35.8%	61.0%	66.3%	72.2%	66.7%	72.2%	54.3%	55.9%	63.8%	51.6%	75.7%	75.7%
16	% CLA cases reviewed within timescales during the month	Its better to be high	Below expected levels	95.0%	100%	94.3%	96.2%	95.0%	93.1%	96.6%	94.2%	93.7%	92.9%	91.0%	92.5%	90.9%	90.3%	90.3%

Code	Title	Polarity	Status	As at 2016/17 Year End	Anticipated Performance Level	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Last period value
12	Children on CIN plans visited within 30 working days	Its better to be high	Below expected levels	77.8%	90%	74.4%	69.3%	77.8%	69.9%	67.9%	68.9%	70.8%	71.0%	69.6%	78.9%	79.7%	81.1%	81.8%

18	Number of Children Looked After	In line with benchmarks	Well above expected levels	281	250	285	281	283	284	290	292	290	286	279	277	287	292	292

Code	Title	Polarity	Status	As at 2016/17 Year End	Quarter Target	Quarter 4 2016/17	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Last period value
17	Social Work Staffing levels – vacancies	Its better to be low	Above expected levels	28.0%	18%	28.0%	22.8%	21.9%	19.7%	19.7%

Code	Title	Polarity	Status	Prev Year End	England Value	2016/17												Last period value
PHOF2.03 HI	Smoking status at the time of delivery	It's better to be low	Well above expected levels	15.0%	10.7%													15.2%

Protecting Vulnerable Adults

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Last period value
LI404	No. of permanent care home placements	It's better to be low	On Target	642	623	636	636	642	634	629	619	634	637	638	632	637	634	634
NI135	Carers receiving needs assessment or review & a specific carer's service, or advice & infor (LAA)	It's better to be high	Well Above Target	38%	32%	36%	37%	38%	4%	9%	17%	21%	25%	31%	34%	34%	36%	36%
TCT14b	Safeguarding Adults - % repeat SG referrals in last 12 months	It's better to be low	Well Below Target	7.0%	8.0%	3.3%	8.0%	7.0%	6.0%	3.0%	10.0%	7.5%	7.5%	7.0%	7.60%	6.90%	6.60%	6.60%
BCF-004a	Delayed transfers of care from hospital (days)	It's better to be low	Well Above Target	2106	1,352	1,901	2,106	N/A	210	377	612	821	1,164	1,569	1,879	2,160	N/A	2,160
Code	Title	Polarity	Status	Prev Year End	Target													Last period value
ASCOF 2B part 1	Re-ablement Services (Effectiveness)	It's better to be high	On Target	76%	88.7%	2016/17												76.5%

Running an Efficient Council

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Cumulative to date
RECP101	Agency Staff Cost (excluding schools)	It's better to be low	Well Above Target	£1,661,261	£89,700	£136,064	£100,774	£305,583	£80,541	£114,935	£210,016	£194,427	£180,279	£150,326	£240,142	£200,427	£158,149	£1,529,242
																		Adults £0k, Children's £136.3k, Public Health £0k, Corporate & Business Services £14.0k & Community and Customer services £7.8k
Code	Title	Polarity	Status	Prev Year End	Annual Target	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Last period value
RECP102	Variance Against Revenue Budget	It's better to be low	Well Below Target	£1,701,000	£0	£2,284,000	£2,211,000	£2,097,000	£0	£0	£1,365,000	£821,000	£1,700,000	£2,416,000	£1,900,000	£2,600,000	£2,548,000	£2,548,000
Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 4 2016/17			Quarter 1 2017/18			Quarter 2 2017/18			Quarter 3 2017/18			Last period value
RECP105	Stage 1 complaints dealt with on time	It's better to be high	Well Below Target	83%	90%	72%			84%			54%			63%			63%
Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Cumulative to Date
RECP106	Number of stage 1 complaints logged	N/A	(monitoring only)	472	n/a	36	44	28	27	31	47	38	38	42	28	26	13	290
RECP108	Number of stage 1 complaints logged per 1,000 population	N/A	(monitoring only)	3.5	n/a	0.3	0.3	0.2	0.2	0.2	0.4	0.3	0.3	0.3	0.2	0.2	0.1	2.2
RECP107	Number of Data breaches	It's better to be low	Well Above Target	34	25	27	30	34	5	7	14	15	16	19	23	27	33	33