



Tuesday, 12 March 2013

AUDIT COMMITTEE

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

Wednesday, 20 March 2013

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 Hill (Chairman)

Councillor Addis

Councillor Bent

Councillor Brooksbank

Councillor Stocks

Councillor Pountney (Vice-Chair)

Working for a healthy, prosperous and happy Bay

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

Kay Heywood, Town Hall, Castle Circus, Torquay, TQ1 3DR
01803 207026

Email: governance.support@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 1 - 3)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 19 December 2012.

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. **Audit Committee Update for Torbay Council** (Pages 4 - 17)
To note the progress that Grant Thornton have made in delivering on their responsibilities as the Council's external auditors.

6. **Torbay Council's Whistleblowing Policy** (Pages 18 - 29)
To consider a report which sets out changes that have been made to Torbay Council's Whistleblowing Policy.

7. **Progress Report on Strategic Risk Management** (Pages 30 - 35)
To note a report on a new approach to risk management.

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|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|
| 8. | Public Sector Internal Audit Standards
To note a report on revised internal audit standards that will come into force on 1 April 2013. | (Pages 36 - 40) |
| 9. | Internal Audit Charter/Terms of Reference
To note a report that sets out the purpose, authority and principle responsibilities of the Council's Internal Audit Service. | (Pages 41 - 46) |
| 10. | Internal Audit Plan
To consider a report that sets out the audit plan for 2013/14. | (Pages 47 - 57) |
| 11. | Exclusion of the Press and Public
To consider passing a resolution to exclude the press and public from the meeting prior to consideration of the following item on the agenda on the grounds that exempt information (as defined in Schedule 12A of the Local Government Act 1972 (as amended)) is likely to be disclosed. | |
| 12. | Breakdown of Fee's
To note an exempt report. | (Circulated separately) |



Minutes of the Audit Committee

19 December 2012

-: Present :-

Councillor Hill (Chairman)

Councillors Addis, Bent, Pountney (Vice-Chair) and Thomas (J)

(Also in attendance: Councillor Tyerman (minute 20/12/12 only))

15. Apologies

It was reported that, in accordance with the wishes of the Conservative Group, the membership of the Committee had been amended for this meeting by including Councillor Thomas (J) instead of Councillor Brooksbank.

16. Minutes

The Minutes of the meeting of the Audit Committee held on 19 September 2012 were confirmed as a correct record and signed by the Chairman.

17. Torbay Council Audit Fees 2012/2013

The Committee noted the letter sent to Torbay Council on 19 November 2012. The letter set out the proposed work programme and scale of fees for the service provided by the Council's external auditors, Grant Thornton. Members welcomed the 40% reduction in the fees but requested a detailed breakdown of the hourly rates for auditors, which makes up the total fees to be presented at the next meeting of the Audit Committee on 20 March 2012.

18. Torbay Council Certification Report 2011/12

Members noted a report from the Council's external auditors, Grant Thornton. The report summarised the external auditors overall assessment of the Council's management arrangements in respect of the certification process and drew attention to matters relating to individual claims.

Members were informed that there were three claims; two claims were submitted without amendment with the third claim submitted with a small amendment. Members were advised that the small amendment was as a result of a software issue which had been rectified.

19. Interim Change to Torbay Council's Whistleblowing Policy

Members of the Audit Committee noted a report which advised of an interim change to the Whistleblowing Policy. Members were advised that recent whistleblowing cases had brought to light ineffectiveness with the process and accountability within the policy. Therefore a further review of the policy would be undertaken with a revised policy being brought before the Audit Committee in March 2013.

20. Treasury Management Strategy

Members considered a report on the Treasury Management Strategy 2013/14. Members were informed the strategy aimed to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2013/14 and effectively control the associated risks and the pursuit of optimum performance consistent with those risks.

Resolved:

That the Treasury Management Strategy for 2013/14 be endorsed and Council be recommended to:

- i) approve the Treasury Management Strategy for 2013/14 (incorporating the Annual Investment Strategy 2013/14) as set out in Appendix 1 to the submitted report;
- ii) approve the Prudential and Treasury Indicators 2013/14 as set out in Annex 1 to the submitted report;
- iii) approve the Annual Minimum Revenue Provision Policy Statement for 2013/14 as set out in Annex 2 to the submitted report; and
- iv) in accordance with the Council's Constitution and Financial Regulations authorise;
 - a) the Chief Finance Officer to take any decisions on borrowing investments; and
 - b) the Chief Finance Officer to invest temporarily or utilise surplus monies of the Council.

21. Exclusion of the Press and Public

(Note: Prior to consideration of the item in Minute 22/12/12 the press and public were formally excluded from the meeting on the grounds that the item involved the likely disclosure of exempt information as defined in paragraph 2 of Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).)

22. Head of Internal Audit's Six Month Audit Progress Report 2012/13

Members considered a report which provided a summary of performance in the first six months against the internal audit plan for the 2012/13 financial year. The report highlighted areas of work undertaken and summarised the main findings and audit opinions. Members were advised that based upon audits undertaken in this year and previous year's officers of the Devon Audit Partnership considered the Council to have adequate controls in place to control operations.

Chairman



Audit Committee Update for Torbay Council

Year end 31 March 2013

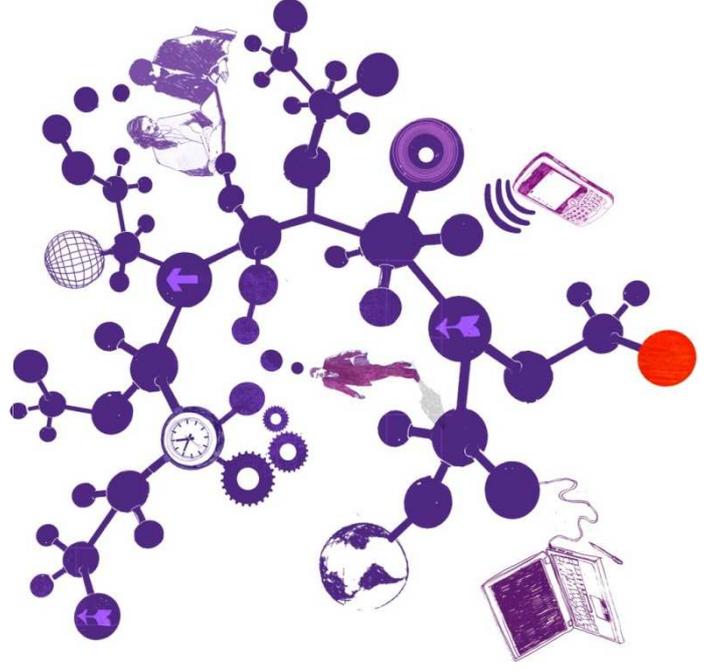
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Alun Williams
Engagement Lead
T +44 (0) 117 3057797
E alun.g.williams@uk.gt.com

Sue Hick
Audit Manager
T +44 (0) 117 3057872
E sue.hick@uk.gt.com

Stuart Holmes
Audit Executive
T +44 (0) 117 3057871
E stuart.m.holmes@uk.gt.com



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

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Introduction

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

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

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications - 'Local Government Governance Review 2012', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

Alun Williams - Engagement Lead T 0117 3057797 M 07880 456143 alun.g.williams@uk.gt.com

Sue Hick - Audit Manager T 0117 3057872 M 07880 456133 sue.hick@uk.gt.com

Progress at 20 March 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Audit Plan We are required to issue an audit plan to the Council setting out our proposed approach in order to give an opinion on the Councils 2012-13 financial statements.</p>	March 2013	On-going	Our 2012-13 Audit Plan is currently being drafted and will be presented at the June Audit Committee.
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • update understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2013	On-going	Our interim accounts audit is currently on-going and our findings will be reported in our Audit Plan.
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements; • Whole of Government Accounts (WGA) return; and • proposed opinion on the Council 's accounts 	July – August 2013	N/A	Planning meetings have been held with the Council's finance team and a timetable has been agreed for the audit of the financial statements.

Progress at 20 March 2012

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VFM conclusion comprises of assessing whether the Council has proper arrangements in place for:-</p> <ul style="list-style-type: none"> • securing financial resilience; and • challenging how it secures economy, efficiency and effectiveness. 	<p>Initial risk assessment – January 2013</p> <p>Detailed assessment – February/March 2013</p>	<p>Yes</p> <p>On-going</p>	<p>Initial risk assessment completed. No specific risks were identified that would result in separate pieces of work being required.</p> <p>Our detailed risk assessment is currently on-going. Our findings will be reported back to the Audit Committee.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a [consultation](#) on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- **Do you know your key risks?**
- **Have officers ensured the financial impact is fed into medium term financial plans?**
- **Have officers undertaken modelling of future business rates growth?**
- **Have officers given due consideration to pooling?**
- **Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?**
- **Has your Executive Head Finance reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?**

Emerging issues and developments

Accounting and audit issues

Accounting for joint arrangements

IAS 31 classified joint ventures into jointly controlled operations, jointly controlled assets and jointly controlled entities. Under IFRS 11 both jointly controlled operations and jointly controlled assets are classified as joint operations.

Under IAS 31 members of jointly controlled entities were permitted to use proportionate consolidation or equity accounting to account for their interests in the jointly controlled entity's assets, liabilities, revenue and expenses. Under IFRS 11 the ability to use proportional consolidation for interests in joint ventures is no longer permitted. Equity accounting is required.

Last year, Grant Thornton published a flyer '[Accounting for joint arrangements by local authorities under IFRS 11](#)' to highlight the changes being introduced by IFRS 11 'Joint arrangements' compared to IAS 31 'Interests in joint ventures' for 2013/14.

Challenge question:

- **Have officers considered the impact of these new arrangements?**
- **Are you clear on the issues arising for the Council ?**

Emerging issues and developments

Accounting and audit issues

Assets transferring to academy schools

There is ongoing debate as to whether assets relating to schools that have been granted academy status should be:

- impaired to nil at the date of the granting of a transfer order on the basis that the assets will be disposed of for nil value or
- not impaired as the assets are still being used and so should be shown at the balance sheet date at full existing use value.

Our view is that this is a matter for judgement and the financial statements should set out clearly:

- the policy followed by the authority
- details of material assets that are to be transferred out of local authority control.

Where an academy school's assets are subject to a PFI arrangement, the authority may have a potential onerous contract where there is a shortfall in funding ie. where an authority has a PFI contractual agreement to pay out more than it expects to receive back in PFI credits and reimbursement from an academy. If an authority is facing a shortfall between its contractual obligations and the amounts it expects to receive to fund these obligations, the authority should consider whether the contract is onerous. In considering whether or not there is an onerous contract, the authority would need to consider the service it receives.

Challenge questions:

- **Has your Executive Head Finance considered how to account for assets relating to schools that have been granted academy status?**
- **Has your Executive Head Finance considered whether or not there is an onerous contract for PFI contracts relating to academy schools?**
- **Has your Executive Head Finance discussed these issues with external audit?**

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Land restoration costs – where a local authority owns a closed landfill site and is responsible for aftercare costs, we would expect the authority to recognise a provision for total future costs. These landfill aftercare costs should also be capitalised and depreciated under IAS 16 'Property, Plant and Equipment' so there is no immediate impact on the General Fund.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- **Has your Executive Head Finance considered the need for additional provisions for the above matters?**

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published '[Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities](#)'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- **Have you considered the findings of the report?**
- **Are there any issues that relate to your authority and what action are you going to take?**

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published '[Auditing the Accounts 2011/12](#)'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- **Has your Executive Head Finance identified the key risks for the authority in preparing the 2012/13 financial statements?**
- **Has your Executive Head Finance produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?**
- **Has this been discussed and agreed with the External Auditors?**

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published '[Striking a balance: improving councils' decision making on reserves](#)'. The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- **Are your officers providing you with the right information about reserves?**
- **Have you considered the findings of the report and identified where actions are required?**

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published '[Tough times 2012: Councils' financial health in challenging times](#).' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Challenge question:

- **Have you considered the findings of the report and any actions required?**

'Protecting the public purse 2012'

In November, the Audit Commission published '[Protecting the public purse 2012: Fighting fraud against local government](#)'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge questions:

- **Have you considered the findings of the report?**
- **Are there any issues that could relate to your authority and how are these being dealt with?**
- **Have you reviewed your existing arrangements for tackling fraud?**

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



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Title: **Torbay Council's Whistleblowing Policy**

Wards Affected: **None**

To: **Audit Committee** On: **20th March 2013**

Contact Officer: **Mark Bennett**

☎ Telephone: **01803 207360**

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

1. Key points and Summary

Changes have been made to Torbay Council's Whistleblowing policy to avoid inappropriate use of the policy, to signpost to other Council policies that are available, to make clear accountability for action and to reflect legal changes taking effect in April 2013.

2. Recommendation;

- i) That the Whistleblowing Policy set out in Appendix 1 to the report be approved; and
- ii) that minor changes to the Whistleblowing policy, arising as a result of changes to the Council's top tier structure be delegated to the Executive Head of Business Services in consultation with the Chairman of the Audit Committee.

3. Introduction

The Council's Whistleblowing Policy is due for review as it was last reviewed and amended in October 2008.

4. Changes to the Policy

The current policy has been reviewed in light of forthcoming legal changes and best practice recommendations.

The legal definition of a whistle blowing case and what is regarded as a 'protected disclosure' under the law have been referred to in the amended policy. Other legal changes taking effect in April 2013 have also been referred to in the amended policy.

Summary of changes to the policy:-

- Amendments to procedure – Step 1 - Raising a concern – to be reported to either Chief Operating Officer or Devon Audit Partnership.
- Amendments to procedure – Step 2 – How concern will be dealt with – reference to Chief Operating Officer and Finance, Ethics and Probity

Group for dealing with the concern.

- Definition of a whistleblowing concern and differences between whistleblowing and other types of concern.
- Referral Form introduced for individual to use for outlining details of the concern.
- Removal of reference to Public Concern at Work Advice line – lack of use.
- Inclusion of Equality Statement.
- Inclusion of external contacts and new Government guidance (January 2013) for guidance on raising a complaint externally.
- Legal changes 6th April 2013 incorporated:-
 - Enterprise and Regulatory Reform Bill (2012) – introduces changes to Employment Rights Act – to be protected against automatically unfair dismissal, whistleblowers must make their disclosure "in the public interest".
 - Enterprise and Regulatory Reform Bill – introduces change to protect whistleblowers from suffering a detriment, bullying or harassment from another employee for raising a concern.

5. Conclusion

In summary, the above changes will ensure compliance with legislation changes in April and also reflect current best practice guidance.

Please note, further amendments may be necessary to the policy to reflect changes to the Council's top level structure.

Mark Bennett
Executive Head of Business Services

Appendices

Appendix 1 Amended Whistleblowing policy.

Torbay Council

DRAFT Whistle-blowing Policy

March 2013

DRAFT

Introduction

All of us at one time or another has concerns about what is happening at work. Usually these concerns are easily resolved. However, when they are about unlawful conduct, financial malpractice and similar wrongdoings, it can be difficult to know what to do.

Torbay Council has introduced this policy to enable employees to raise concerns about malpractice/wrongdoing at an early stage and in the correct way. The Whistle-blowing Policy is to be used for reporting concerns where the employee holds a reasonable belief that the concern is within the public interest or where the organisation, and/or members of it, may be at risk.

Aims of the Policy

This policy aims to:-

- Inform employees on how to appropriately take issues of concern forward, using the correct policies and procedures;
- Provide a clear procedure for employees to raise concerns and receive feedback on any action taken;
- Ensure that confidentiality of the disclosure is maintained as far as possible;
- Reassure employees that they will be protected from reprisals or victimisation for 'Whistle-blowing' in good faith and in accordance with this procedure.

Scope

This policy applies to all employees of Torbay Council. Contractors, partner agencies, agency workers and Apprentices/trainees who wish to raise whistleblowing concerns can do so through this policy or directly through the use of their contracting organisation's policies. A separate model policy exists for Schools and Academies, which is available from the HR intranet page.

What is Whistleblowing?

Someone "blows the whistle" when they tell their employer, regulator, customers, the police or media about a dangerous or illegal activity they are aware of through work.

Whistleblowing legislation is in place to protect workers from dismissal or victimisation at work in the event that they disclose some sort of wrongdoing to the employer or another appropriate body.

The Public Interest Disclosure Act 1998 and the Employment Rights Act 1996 clearly define what types of disclosure qualify the person making them for protection against dismissal and detrimental treatment by their employer. These are known as 'protected' disclosures.

A qualifying disclosure can be one of the following:

- a criminal offence;
- a miscarriage of justice;
- an act creating risk to health and safety;
- an act causing damage to the environment;
- a breach of any other legal obligation; or
- is being, has been, or is likely to be, committed.

A disclosure will also be protected if the information disclosed is of a nature that shows that any of the above is likely to be deliberately concealed.

The law also protects the individual from detrimental treatment by work colleagues for raising a concern. The Council is 'vicariously' liable for any wrongdoing of this nature unless it can prove that it took all reasonable steps to protect the individual who raised the concern from detrimental treatment by their co-worker.

What is the difference between making a complaint and blowing the whistle?

When someone blows the whistle they are raising a concern about danger or illegality that affects others (for example customers, members of the public, or their employer). The person blowing the whistle is usually not directly, personally affected by the danger or illegality. Consequently, the whistleblower rarely has a personal interest in the outcome of any investigation into their concern – they are simply trying to alert others. For this reason, the whistleblower should not be expected to prove the malpractice, but to give clear, factual information about the concern. He or she is a messenger raising a concern so that others can address it.

This is very different from a complaint or grievance. When someone complains or raises a grievance, they are saying that they have been personally treated poorly. This poor treatment could involve a breach of their individual employment rights or unacceptable behaviour and the complainant is seeking redress or justice for themselves. The person making the complaint therefore has a vested interest in the outcome of the complaint and for this reason, is expected to prove their case.

Some examples showing the differences are as follows:-

Grievance	Protected disclosure
An employee's complaint about the type of work that he or she is being asked to do, for example if it is not covered by his or her contract	A disclosure that an individual has been instructed to carry out actions that he or she genuinely believes to be illegal, e.g. to falsify tax returns
A employee's complaint that he or she has received insufficient safety training	A disclosure that safety rules within the workplace are routinely being flouted, thus endangering safety of employees and/or the public
An employee's complaint about the hours that he or she is expected to work	A disclosure that the requirements imposed by the organisation on a group of employees represent a breach of the working time legislation.

Where an employee has an individual complaint relating to their employment, for example, their contract of employment, pay, conditions, should raise this under the Council's Grievance procedure. For complaints regarding unacceptable behaviour or discrimination, please refer to the Acceptable Behaviour policy. Both policies are available from the Council's HR intranet page.

Safeguarding Whistleblowers

In accordance with the law, the Council undertakes that no employee who reports a concern in the public interest under this procedure will be subjected to any detriment as a result. In the event that the employee believes they are being subjected to a detriment by any person within the Council, they have the right to raise any concerns of harassment via the Council's Acceptable Behaviour policy, available from Human Resources and from the Council's intranet site as follows:-

<http://insight/index/information/humanresources/welfareandequality.htm>

Confidentiality

The Council will do its utmost to protect an individual's identity when they raise a concern and do not want their name to be disclosed. It must be acknowledged by the employee raising the concern though that the investigation process itself may well reveal the source of the information and depending on the outcome, a formal witness statement by the individual may be required as evidence within a Court.

Anonymous Allegations

This policy is designed to encourage staff to put their names to allegations. Concerns expressed anonymously are much less powerful and more difficult to investigate, but they will be considered at the discretion of the Council. In exercising this discretion, the factors to be taken into account would include:-

- The seriousness of the issue(s) raised;
- The credibility of the concern; and
- The likelihood of confirming the allegation from attributable sources.

Untrue Allegations

If an employee makes an allegation but it is not confirmed by the investigation, no action will be taken against them. If, however, there is reasonable evidence that an allegation has been made maliciously, or with the primary intent of personal gain, action will be taken in line with the Council's Disciplinary procedure which can be found on HR pages of the intranet:-

<http://insight/index/information/humanresources/conduct-perf-man/disciplinaryprocedure.htm>

Procedure

The following procedure is to enable employees to raise a concern directly with the Council and for it to be addressed directly. Employees have the right to report a whistleblowing concern outside of the Council and this procedure if they so wish. This should be done by contacting the relevant external organisation and following their published procedure. A list of external contacts is given at the end of this policy.

1. Raising a Concern

Employees who have a whistleblowing concern should address their concern in writing to the Council's Chief Operating Officer or to the Devon Audit Partnership (internal audit). Employees who are members of a recognised trade union may also wish to approach their representative. The concern should be put in writing, giving clear details of the concern, using the proforma contained in Appendix 1 of this policy. The proforma can be emailed directly to the Chief Operating or to Audit using the following address:- whistle.blowing@torbay.gov.uk (check if still in use).

Employees who are unable to address their concerns in writing can also contact the Audit Whistleblowing Hotline on Tel: 01803 207407.

2: How the Complaint will be Dealt With

The Chief Operating Officer or Audit will notify the Finance, Ethics and Probity Group of the matter in order for initial investigations to take place and recommendations for action. The Finance, Ethics and Probity Group is made-up of members from the Council's Finance, Human Resources, Audit and Legal Services departments, including the Council's Monitoring Officer. (For clarity, "The Group" refers to the Finance, Ethics and Probity Group).

The Chief Operating Officer will take overall responsibility for action in regard to the complaint, including the Council's formal written response to the matter.

Within ten working days of a concern being received, the Chief Operating Officer will write to the employee:-

- Acknowledging that the concern has been received;
- Indicating how the matter will be dealt with;
- Telling the employee whether any initial enquiries have been made;
- Telling the employee whether further investigations will take place and if not, the reason for this;
- Give some indication of timescales.

Should the concern fall outside of the scope of this policy, the Chief Operating Officer will be informed by the Group and the employee will be advised of alternative courses of action to take, for example, to raise the complaint under one of the Council's other policies. If after initial investigation it becomes clear that the matter uncovers criminal activity or welfare/safeguarding concerns, these will be reported directly to the Police and/or other relevant external organisations for further action.

3: How the Council will Respond

Action recommended by the Finance, Ethics and Probity Group will be dependent on the nature of the concern raised and may:

- Be resolved by agreed action without the need for investigation
- Be investigated by management or by Audit or Human Resources (as appropriate)
- Be referred to the Police

- Form the subject of an independent inquiry
- Be referred to the external auditor

Should an investigation be necessary, the Group will appoint an appropriate investigation team from within the Council. The investigation will be dealt with as expediently as possible with an estimated timescale for completion to be provided to the individual at the start by the Group.

Where the employee is called to an investigation meeting, they may be accompanied by a Trade Union representative or work colleague, providing that they will assure confidentiality.

Following the outcome of the investigation process, the Group will inform the Chief Operating Officer of the outcome and an appropriate course of action will be agreed.

The Chief Operating Officer will put the formal response in writing to the individual at the earliest opportunity.

The employee is not entitled to be able to determine the outcome of the investigation process or to insist that disciplinary action must be taken or a prosecution instigated.

There is no further recourse under this policy, however, should the employee wish to pursue the matter further, they have the right to report their concerns to an external organisation or one of those listed at the end of this policy.

Counselling Service and Support

Due regard and sensitivity will be exercised by all involved in the process to ensure that the employee raising the concern does not suffer detrimental treatment as a result of raising a complaint.

Further support can be obtained through the Council's Confidential Counselling Service, Tel: 01803 207347 or the 24-hour answer phone 01803 207349.

Monitoring of the Policy

The policy will be monitored by the Finance, Ethics and Probitry Group, who have overall responsibility for the maintenance and operation of this policy. The Group will maintain a record of concerns raised and the outcomes (in a form which does not endanger confidentiality) and will report as necessary to the Audit Committee.

Equality Statement

This policy applies equally to all Council employees, as above, regardless of their age, disability, sex, sexual orientation, race, religion or belief, gender reassignment, pregnancy and maternity, marriage and civil partnership. Care will be taken to ensure that no traditionally excluded groups are adversely impacted in implementing this policy. Monitoring will take place to ensure compliance and fairness.

Raising a Complaint outside of the Council

If an employee wishes to take the matter outside the Council, they need to ensure that they do not disclose confidential information or that disclosure would be privileged. This can be checked with the Local Government Ombudsman who will also advise on ways to proceed.

(Local Government Ombudsman Local Government Ombudsman Advice line:- 0300 061 0614)

www.lgo.org.uk

The Government has produced a document "**Blowing the Whistle to a Prescribed Person – List of Prescribed people and Bodies**", produced in February 2013. It lists the appropriate organisations to handle whistleblowing complaints and should be referred to for up-to-date advice and guidance about who to contact:-

[https://www.gov.uk/government/Blowing the whistle to a prescribed person - list of prescribed bodies or persons 1 .pdf](https://www.gov.uk/government/Blowing%20the%20whistle%20to%20a%20prescribed%20person%20-%20list%20of%20prescribed%20bodies%20or%20persons%201.pdf)

Other contacts:-

Audit Commission (External Audit) for England and Wales Tel: 020 7828 1212

www.audit-commission.gov.uk

Public Disclosures Hotline Tel: 0845 0522 646

Devon and Cornwall Police Tel: 101

www.devon-cornwall.police.uk

WHISTLEBLOWING REPORTING FORM

This form is to be used for report a concern under Torbay Council’s Whistleblowing policy and procedure. The information given on this form will be treated in the strictest confidence.

<p>Description of the concern Please include:</p> <ul style="list-style-type: none"> • Dates of incidents • Who was involved • Why this is a concern • What the result was 	<ul style="list-style-type: none"> • Whether there were any other witnesses • Whether you have tried to raise this with anyone previously • What the result was
DRAFT	
<p>You are encouraged to give your name to this report. Complaints raised anonymously are much harder to investigate but will be considered at the discretion of the Finance, Ethics and Probity Group.</p>	
Name:	Business Unit/Service:
Address:	Contact Tel number:
Date:	Email address:
Signature:	

Send this form by post or by email to EITHER:-

- Devon Audit Partnership, c/o Town Hall, Castle Circus, Torquay **OR to**
- Chief Operating Officer, Town Hall, Castle Circus, Torquay

Initial Investigation of Concern – to be completed by Council

Complaint received by:

Date:

Action taken:

Print:

Signature:

Date:



Title: **Progress Report on Strategic Risk Management**

Wards Affected: **All Wards**

To: **Audit Committee** On: **20 March 2013**

Key Decision: **No**

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

Contact Officer: **Mark Bennett**

☎ Telephone: **01803 207360**

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

1. Key points and Summary

- 1.1 The Council has developed a new approach to risk management. The new approach reflects the changing operating position that local government now works within following the comprehensive spending review and a 30% cut in local government by 2014/15.
- 1.2 The aims of this approach are;
- To develop a more strategic approach
 - Achieve greater clarity on the level of risk the Council is willing to accept
 - Embed this approach in day to day activity
- 1.3 Key changes from current approach
- The risk matrix has been revised to achieve greater clarity
 - The number strategic risk has been reduced
 - The level of risk considered to be acceptable by the council is clearly described
 - Mitigation measure a clearly outlined together with the current level of effectiveness
 - Improvement actions are identified
 - Reporting and accountability has been clarified

- 1.4 This approach has been developed in parallel with an a review of the Councils risk management processes by the Devon Audit Partnership A detailed report of their findings will be presented to a future meeting of the Audit Committee. This summary reflects their initial findings.

The Partnership has;

- Reviewed in brief the risk management processes in place at audit commencement and the original strategic risk register. Whilst this demonstrated a consideration of risk, there were issues with how this was embedded into the organisation and there were integration issues and concerns regarding the process not being dynamic in terms of responsiveness to change.
- This review allowed the Partnership to identify the then current risk management process as a baseline comparative for the revised process which has now agreed and which is now in operation, albeit in its infancy.
- As the new risk management process is in its infancy they are unable to provide an audit opinion of an established process and are purely commenting on initial operation, however the evidence provided in relation to the budget setting process for the coming financial year, demonstrated to a degree the intended process at a top level and the process would appear to be a more integrated dynamic which they would support. Based upon this they would anticipate giving an opinion in their audit report of 'improvements required' in order to purely reflect that the process is in its infancy and not embedded and therefore cannot be subject to a full audit in terms of established controls in operation.
- They intend to carry out follow up work in 2013/14 which would allow the process to bed in more fully.

3. Reporting/Monitoring

- 3.1 Strategic Risks will be reviewed dynamically by directors and the strategic leadership team with quarterly reports to the Audit Committee

2. Details

2.1 A review of the risk matrix has been undertaken. The new matrix although more comprehensive provides greater clarity and ease of use

Category/ Descriptor	Insignificant	Minor	Moderate	Major	Critical
Operational delivery	Service delivery affected but not disrupted	Some disruption to specific service	Disruption to a number of service areas	Shutdown of specific service area/ disruption to a number of service areas	Shutdown of a number of service areas
Strategic Direction	Slight, temporary deviance from one area of strategic direction	Slight, temporary deviance from several areas of strategic direction	Significant deviance from one area of strategic direction	Significant deviance from several areas of strategic direction	Strategic direction totally compromised/ unrecoverable
Council Financial Impact	Loss of less than 0.5% of monthly budget or £5,000	Loss of more than 1% of monthly budget or £50,000	Loss of more than 5% of monthly budget or £100k	Loss of more than 10% of monthly budget or £500k	Loss of more than 15% of monthly budget or £1m
Legal	Sued for small amount of money	Court action – not prolonged	Prolonged court action/tribunal	Court action impeding delivery of Council objective	Protracted high profile legal proceedings
Governance	Individual internal control not effective	Number of internal controls not effective	Loss of confidence in internal controls requires senior officer intervention	Loss of confidence by Council or external audit bodies/suspension of Council officers	External body required to intervene in governance of Council
Reputation	Minor adverse publicity in local media	Significant adverse publicity in local media	Significant adverse publicity in national media	Sustained adverse publicity in national media Member dissatisfaction	Chief Operating Officer and/or Elected Member resignation/ removal
Workplace health & safety	Incident – no lost time & near miss	Less than 3 days lost	More than 3 days absence	Serious injury/ stress resulting in hospitalization	Fatality (not natural causes)
Health	No detrimental impact on health of individuals	Health issues will require treatment at community level	Health issues will require treatment in hospital	Long-term or acute health issues	Fatalities
Security	No notifiable or reportable incident	Localised incident. No effect on operations	Localised incident. Significant effect on operations.	Significant incident involving multiple locations	Extreme incident seriously affecting continuity of operations.
Social & Environmental Factors	No lasting detrimental environmental or social impact	Short-term detrimental environmental or social impact to localised area/ small group	Short-term detrimental environmental or social impact to wider community/ area/groups	Long-term detrimental environmental or social impact to wider community/ area/groups	Extensive detrimental long term impact on the environment and community
Assets	Low level loss or damage to asset; no effect on service or community provision	Short-term loss of asset not critical to service or community provision	Long-term loss of asset not critical to service or community provision	Short-term loss of asset critical to service or community provision	Total long-term loss of asset critical to service or community provision
Other services/ organisations	Service delivery by other services /organisations affected but not interrupted	Some interruption to specific services provided by other services /organisations	Disruption to a number of service areas provided by other services /organisations	Shutdown of specific service areas provided by other services /organisations	Shutdown of a number of service areas provided by other services /organisations
Local economy	Low level economic decline/ rise in unemployment	Significant economic decline affecting under 10% of businesses/rise in unemployment across limited no. of areas of Torbay	Significant economic decline affecting between 10% and 15% of businesses/rise in unemployment across Torbay	Significant economic decline in more than 15% of businesses/rise in unemployment across many areas of Torbay	Economic decline and unemployment is significant across all of Torbay

2.2 The key strategic risks affecting the authority have been reviewed, with four key risks have been identified;

1. **Fair decision making** – Reconfiguring services without assessing impact, stakeholder engagement, and taking this into account during decision making process could leave the council open to successful legal challenge and costs
2. **Demand management** - Understanding the potential impact of increases in demand for and feeding this into management processes
3. **Welfare Reforms** - Introduction of Localised Council Tax Benefit Scheme, Reductions in Housing Benefits, Introduction of Universal Credit, Transfer of Social Fund from DWP
4. **Finance** - Planning for and delivery of a sustainable budget

2.3 Example of Risk Assessment Fair decision making

Category	Without measures in place		With measures in place	
	Impact	Probability	Impact	Probability
Council financial impact	Critical Legal fees & cost through inability to deliver savings £1m+	Almost Certain	Moderate Legal challenge could still be made, some delays in delivery cost <£100k	Possible
Legal	Major/critical Court action impeding delivery of objectives, protracted legal proceedings	Almost Certain	Minor Court action not prolonged	Possible
Social & Environmental impact	Critical Detrimental impacts to wider community groups including equalities groups	Possible	Moderate Short term detrimental social impact to wider community groups including equalities groups	Possible
Reputation	Major Sustained adverse publicity in national media member dissatisfaction	Almost Certain	Minor Significant adverse publicity in local media	Almost Certain

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2.4 This shows that a by following agreed mitigations measure, the Council can reduce its financial form more than £1m to less than £100,000, however an unsuccessful legal challenge could be mounted with cost to the authority

2.5 Example of mitigation measures

Effectiveness	
A Will achieve desired outcomes	C Improvement actions - Monitor with concern
B Minor improvement actions - Monitor	D Won't achieve desired outcomes

Measures	Owner	Strength	Improvement actions	Progress
Clear timetable and process for decision making	PPR Manager	B	Mayors budget 2013 published Nov 2012 to increase time for consultation	Budget released later than anticipated with limited detail
Effective Consultation	PPR Manager	A		Surveys revised to include Budget proposals. PPR team working with Exec Heads to advise on consultation arrangements. EIAs used as tool to identify consultation
Equalities impact assessments (EIAs) undertaken	PPR Manager	A		EIAs have been drafted for budget proposals, these are subject to challenge by PPR team / legal.
Effective Scrutiny	Scrutiny Manager	C	Improve focus and quality of scrutiny recommendations <ul style="list-style-type: none"> • Agree Protocol – Mayor /Scrutiny 	Scrutiny focussing on key issues for budget as part of consultation process.
Impact assessments & consultation results available to members when decisions are made	Democratic services manager	A		EIAs supported by consultation results will be available for Members through January (as part of Priorities and Resources) and in February.



Audit Update Report

Public Sector
Internal Audit Standards

Torbay Council
Audit Committee

March 2013

Torbay Council Audit Committee

Update note on Public Sector Internal Audit Standards

1. Introduction

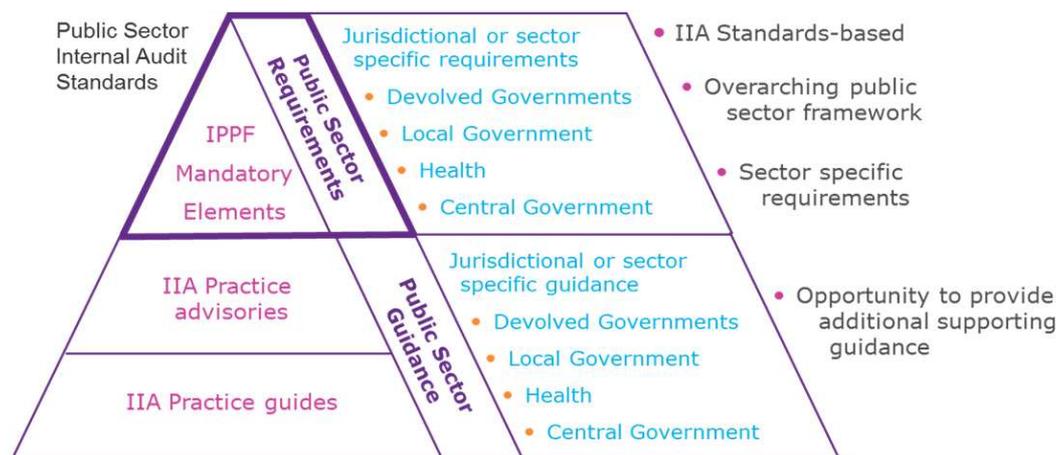
1.1 Organisations in the UK public sector are currently covered by different internal audit standards. In the central government and health (NHS) sectors, the standards are based on those issued by the Institute of Internal Auditors (IIA), whereas the local government sector uses the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for internal audit in local government in the UK (the Code).

1.2 As organisations work more closely together in formal partnerships and informal arrangements, and internal auditors work across the public sector, the following weaknesses in the current situation became apparent:

- a lack of consistency across the UK public sector and inconsistent update processes for the standards in use
- different guidance for different, but related, sectors and
- no structure to articulate public sector needs and influence best practice development.

1.3 Since May 2011 collaboration has taken place between CIPFA and the IIA, with the agreement of the Relevant Internal Audit Standard Setters (RIASS), to develop a set of internal audit standards applicable to all areas of the UK public sector based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF). The revised standards are referred to as 'the Public Sector Internal Audit Standards' (PSIAS).

1.4 CIPFA and the IIA have set out the Standards in the diagram below:-



1.5 It has been determined that the PSIAS will come into force from 1 April 2013 for all areas of the public sector. The new standards will provide:

- a coherent and consistent public sector internal audit framework
- a co-ordinated update process, and
- a public sector voice in IIA standard setting.

- 1.6 The RIASS have established the Internal Audit Standards Advisory Board (IASAB) to advise on the development and maintenance of PSIAS.

2. Framework overview

- 2.1. The PSIAS are based on the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) as follows:

- Definition of Internal Auditing
- Code of Ethics, and
- International Standards for the Professional Practice of Internal Auditing

3. Purpose of the PSIAS

- 3.1. The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

4. Scope of the PSIAS

- 4.1. The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.
- 4.2. All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing. The provision of assurance services is the primary role for internal audit in the UK public sector. This role requires the chief audit executive to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.
- 4.3. The Code of Ethics promotes an ethical, professional culture. It does not supersede or replace internal auditors' own professional bodies' Codes of Ethics or those of employing organisations. Internal auditors must also have regard to the Committee on Standards of Public Life's *Seven Principles of Public Life*.
- 4.4. In common with the IIA IPPF on which they are based, PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.

5. What are the implications for Torbay Council?

- 5.1 The standards make a number of references to the 'board' which the standards define as :-

“The highest level of governing body charged with the responsibility to direct and/or oversee the activities and management of the organisation. Typically, this includes an independent group of directors (e.g. a board of directors, a

supervisory board or a board of governors or trustees). If such a group does not exist, the 'board' may refer to the head of the organisation. 'Board' may refer to an audit committee to which the governing body has delegated certain functions".

- 5.2 It is expected that CIPFA will issue guidance to local authorities on how to interpret the term "board", however, and until further guidance is provided, the "Board" for Torbay Council will be considered to be the Audit Committee
- 5.3 The internal audit function of the Council is provided by the Devon Audit Partnership (DAP). It is important that the Council, and in particular the Audit Committee, are assured that the internal audit provider (DAP) meets the standards and accords with these standards from the 1 April 2013 onwards. As part of his/her Annual Report, the Head of Devon Audit Partnership will provide a commentary on how the Partnership has adhered to the Standards.
- 5.2 External assessment of how the internal audit function is undertaken by the Authority's external auditors (Grant Thornton) and they will provide their independent opinion on how well the Partnership meets the Standards
- 5.3 As a direct action, the Internal Audit Charter for the provision of Internal Audit should be updated to reflect the key elements of the PSIAS

6. What are the implications for Devon Audit Partnership?

- 6.1 Previously, service delivery of the Partnership was measured under the Code of Practice for Internal Audit as prepared by CIPFA. Early in 2011 we became aware of the proposed change in approach, and that the IIA standards were likely to be the benchmark to which we would be compared.
- 6.2 With this in mind, we undertook a self-assessment against the IIA standards; the results of our self-assessment were positive.
- 6.3 During the Autumn of 2012, we worked with other partnerships / shared service internal audit providers (South West Audit Partnership (SWAP), Hertfordshire Shared Internal Audit Service, Veritas) to undertake "peer" reviews of the self-assessment.
- 6.4 In October 2012, Helen Maneuf, Head of Assurance of Hertfordshire Shared Internal Audit Service undertook a peer review of DAP. Helen concluded:-

"DAP is considered to be operating in conformance with the IIA standards. The service has established a strong reputation with its clients and recent structural changes are proving beneficial. There are opportunities to further develop the business to ensure DAP is strongly placed to progress and to deliver its vision"
- 6.5 Helen made some further key observations:

"DAP is a credible service, with a professional reputation and is respected in the organisations it serves. The April 2012 restructure has assisted in strengthening client focus. DAP has sufficient independence to fulfil its remit and is building a stand-alone identity; DAP has appropriate access and profile within the organisations it serves".

"Those team members interviewed by the assessor spoke very credibly and coherently about the value and purpose of internal audit and without exception shared a view about internal audit existing to help the business to achieve its aims and objectives in a supportive and appropriately challenging way".

6.6 Helpfully, Helen also identified areas where we could further improve. These issues have been captured in our development plan and will be addressed over the coming months.

Robert Hutchins
Head of Devon Audit Partnership
January 2013



Auditing for achievement

TORBAY COUNCIL

INTERNAL AUDIT CHARTER / TERMS OF REFERENCE

This Charter describes the purpose, authority, and principal responsibilities of the Council's Internal Audit Service, which is provided by the Devon Audit Partnership (DAP).

DEFINITION OF INTERNAL AUDIT

Internal auditing is 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.

STATUTORY ROLE

Internal Audit is a statutory service in the context of the Accounts and Audit Regulations 2003 (as amended 2006), which state in respect of Internal Audit that:

“A relevant body shall maintain an adequate and effective system of internal audit of its accounting records and its system of internal control in accordance with the proper internal audit practices”

AIM

Devon Audit Partnership aims 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.

FUNCTION

Internal Audit is an independent review function provided as a service to Members and all levels of management of the Authority. It supports the “responsible officer” (Section 151 officer under the Local Government Act 1972), in meeting their statutory responsibilities for the proper administration of financial affairs. The Head of the Devon Audit Partnership is responsible for the effective review of all aspects of risk management and control throughout the organisations' activities.

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.

INDEPENDENCE

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 staff are free from any conflicts of interest and do not, ordinarily, undertake any non-audit duties.

The Head of the Devon Audit Partnership fulfils the role of Chief Auditor at the Authority.

CODE OF 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.

STANDARDS

The Public Sector Internal Audit Standards (PSIAS) come into effect from 1 April 2013. The PSIAS sets out the International Standards for the Professional Practice of Internal Auditing. The Head of Devon Audit Partnership is expected to report conformance on the PSIAS in his / her annual report.

Purpose of the PSIAS

The objectives of the PSIAS are to:

- define the nature of internal auditing within the UK public sector
- set basic principles for carrying out internal audit in the UK public sector
- establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations, and
- establish the basis for the evaluation of internal audit performance and to drive improvement planning.

Scope

The PSIAS apply to all internal audit service providers, whether in-house, shared services or outsourced.

All internal audit assurance and consulting services fall within the scope of the Definition of Internal Auditing. The provision of assurance services is the primary role for internal audit in the UK public sector.

The PSIAS comprise Attribute and Performance Standards. The Attribute Standards address the characteristics of organisations and parties performing internal audit activities. The Performance Standards describe the nature of internal audit activities and provide quality criteria against which the performance of these services can be evaluated.

REPORTING LINES AND RELATIONSHIPS

The Head of the Devon Audit Partnership fulfils the role of Chief Auditor for Torbay Council and he or she will report to the Director of Finance for Torbay Council and the Partnership Management Board which comprises the 3 Section 151 Officers from the founding authorities.

The Council has an Audit Committee whose terms of reference include responsibility for monitoring the performance of Internal Audit and approving its annual audit programme. The Head of Devon Audit Partnership reports to it on at least a six monthly basis and the reports include an 'opinion' on the standard of internal control within the authority. The Audit Committee is responsible for endorsing the Audit Plan, progress reports received during the year, and the Annual Internal Audit Report.

ROLE AND SCOPE

The role of Internal Audit is to understand the key risks of the Council and to examine and evaluate the adequacy and effectiveness of the system of risk management and the entire control environment as operated throughout the organisation. As an independent appraisal function, the primary objective of Internal Audit is to review, appraise and report upon the adequacy of the risk management framework and

internal controls as a contribution 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.

ACCESS

Internal Audit shall have unrestricted access to all records (whether manual or computerised systems), assets, personnel, premises, property or land, including those of partner organisations, and has authority to obtain such information and explanations as it considers necessary. Such access shall be granted on demand and not subject to prior notice.

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

- the Chief Executive
- Members
- individual Chief Officers and other senior officers
- Director of Finance / Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

RESPONSIBILITIES

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

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

In order to discharge these responsibilities 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;
- maintain a programme of quality assurance and a culture of continuous improvement;
- submit 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.

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 or by External Audit. Ensuring compliance with the PSIA standards is an essential approach to such a review.

PROFICIENCY AND DUE PROFESSIONAL CARE

The Head of Devon Audit Partnership will ensure that internal auditors possess the knowledge, skills and other competencies needed to perform their individual responsibilities. The Head of DAP will ensure that the internal audit activity collectively possess or obtains the knowledge, skills and other competencies needed to perform its responsibilities.

The Head of DAP must hold a professional qualification (CMIIA, CCAB or equivalent) and be suitably experienced.

REPORTING

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 control environment.

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 recommendation. If a recommendation is not accepted by the manager, this must also be stated. The Chief Auditor 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 in his role as Chief Auditor will submit periodic reports to the Audit Committee summarising key findings of reviews and the results of follow-ups undertaken.

Devon Audit Partnership

January 2013



Auditing for achievement

Internal Audit

Internal Audit Plan
2013 - 2014

Torbay Council
Audit Committee

March 2013

Auditing for achievement

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INTERNAL AUDIT SERVICE – ANNUAL AUDIT PLAN 2013/14

1. INTRODUCTION

- 1.1 All principal Local Authorities, including Torbay Council, are subject to the Accounts and Audit Regulations 2003 (as amended), and the Accounts and Audit Regulations 2006 and 2011, which require that the Authority should make provision for Internal Audit. From April 2013, organisations in the UK public sector are required to adhere to the Public Sector Internal Audit Standards.
- 1.2 The Standards require that the Head of Internal Audit 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 Head of Internal Audit 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.
- 1.3 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.

2. AUDIT NEEDS ASSESSMENT

- 2.1 The audit plan for 2013/14 plan has been identified by:
 - Adopting 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;
 - 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 meet the “managed audit” approach with the external auditors;
 - Consideration of risks identified in the Authority’s strategic and operational risk registers.

The resultant Internal Audit Plan for 2013/14 is set out in Appendices 1 and 2.

3. INTERNAL AUDIT PARTNERSHIP

- 3.1 Since 1st April 2009 the Internal Audit Service for Torbay Council has been delivered by the Devon Audit Partnership (DAP). This is a shared service arrangement between Plymouth City, Devon County and Torbay Councils and is constituted under section 20 of the Local Government Act 2000.
- 3.2 The delivery of the Internal Audit service will be in accordance with the Internal Audit Charter. For some reviews the opportunity for shared working across other authorities

may arise. In these circumstances Devon Audit Partnership will seek to maximise the effectiveness of operations, sharing learning and guidance helping each of the authorities to develop further and ensure that risk remain suitably managed.

4. INTERNAL AUDIT RESOURCES

- 4.1 Based upon our detailed risk assessment process we consider that 1,321 days of internal audit input will be required for Torbay Council in 2013/14.
- 4.2 In order to provide a cost-effective service and good value for money to all of our clients it is important that emphasis is given to minimising costs, particularly overheads, and maximising the efficiency and effectiveness of the audit processes. There is regular monitoring and management review of performance within the team over the year and we participate in the annual CIPFA benchmarking comparisons with other Internal Audit functions to demonstrate that Devon Audit Partnership provides a cost-effective service.

5. PLANNED AUDIT COVERAGE 2013/14

- 5.1 Appendix 1 shows a summary of planned audit coverage for 2013/14 totalling 1,321 direct days. A more detailed analysis of proposed audit reviews is provided in Appendix 2. 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 6 months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector. In order to allow greater flexibility, the IA Plan includes a contingency to allow for unplanned work.
- 5.2 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 paragraphs give a brief overview of the focus of proposed audit coverage for the year:-

Adult Services and Resources

- 5.3 We have agreed with management the key risks that currently affect ICT for the Council. Our programme of work will include reviews of Service Strategy, File Storage, Hosted Services, Partnership Working, Thin Client Planning and Roll Out, Information Security (PCI Compliance), N3 Health Transfer, Telephony and Voice, Website Content Management, and work on IT Risk Assessment with the External Auditors.
- 5.4 We will also carry out work designed to ensure that current areas of technology change, including Mobile Device Management, and Social Networking and Media, are addressed with a view to providing an independent opinion as to the adequacy of controls in operation over these areas, and making appropriate recommendations for process improvement where necessary. We will continue to attend the Information Security Group to provide support for the finalisation of the ongoing development and implementation of the new IT Security Policies.
- 5.5 Our work will also include review of arrangements for Procurement regarding contract compliance, and processes in Democratic Representation and Management and also in relation to Elections.

Children's Services

- 5.6 Our work for Children's Services will include an audit review of Parkfield and also work with regard Children's Centres. Torbay's work in connection with the government's 'Troubled Families' programme will also be reviewed to ensure compliance with the criteria for the results based payment scheme and that submissions made are accurate and complete.
- 5.7 Work will also be undertaken looking at how Children's Services commissions and procures services and whether Torbay can influence and change the market place. Comparison will be carried out comparing Torbay with both its 'nearest neighbours' and other coastal unitary authorities.
- 5.8 Our work will include a review of business systems and processes and provide for consideration, if applicable, best practice enhancements as may be identified through work undertaken at other authorities. Delegated powers and responsibilities will be reviewed and benchmarking carried out with a view to providing assistance to streamline working arrangements.

Place and Resources

- 5.9 Our work for Place and Resources includes work on what are termed "material systems" – these are systems that process the majority of income and expenditure for the Council, and which have a significant impact on the reliability and accuracy of the annual accounts. Our work in the area will include reviews of:-
- Payroll
 - Council Tax and Non Domestic Rates
 - Benefits
 - Finance System
 - Ordering and Payments
 - Income Collection
 - Debtors
 - Treasury Management.
- 5.10 Reviews in previous years have confirmed that, generally, sound arrangements are in place for these systems, but we will seek to ensure that previous weaknesses that have been identified have been rectified.
- 5.11 In addition to work on material systems, Internal Audit coverage will address key risks identified by management by auditing, supporting and advising on a number of areas such as the Payroll System Procurement and Implementation, the new arrangements for administering the Discretionary Social Fund and the Council Tax Support Scheme, arrangements for Fair Decision Making, the synergy between Strategic and Operational Transport, the operational practices in Parking Services and in relation to Section 106 Agreements.
- 5.12 We have set aside some time to review the development of the South Devon Link road. This multi-million pound project will bring considerable benefits to the region; we will help to ensure that the project is suitable governed and that the risks identified are effectively addressed. Additionally, time has been set aside to provide support for Environment Projects at the request of the Director of Place and Resources.
- 5.13 We shall continue work with management of the Economic Development Company and the English Riviera Tourism Company, and help to ensure that sound, effective and reliable systems are in place to manage the risks faced by these organisations.

- 5.14 We have agreed a rolling plan of visits with the Tor Bay Harbour Authority; our work for 2013/14 will be relating to Asset Management.

Public Health

- 5.15 Audit coverage in 2012/13 was extensive within the Community Safety area of Public Health and as such linked to our audit needs assessment (refer to 2.1), we have limited our work in 2013/14 to a review of arrangements of internal Health & Safety and also a review of contract management in relation to Bereavement Services.

Carry forward (completion of previous year work)

- 5.16 At the end of the year there will always be part of our work that is “work in progress” – this may require testing to be completed, the working papers to be reviewed by audit management, or the draft / final report to be agreed with management. Time has been allocated to ensure that all planned audits carried over from 2012/13 can be completed to the expected standard.

Fraud Prevention, Detection & Investigation

- 5.17 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 and the Audit Commission publication “Protecting the Public Purse” internal audit resource will be allocated to allow a focus on identifying and preventing fraud before it happens.
- 5.18 The Audit Commission runs a national data matching exercise (National Fraud Initiative - NFI) every two years. The required datasets were submitted to the Audit Commission in October 2012, and one set of data matches were received at the end of January 2013 with the remainder received mid-February. During 2013/14 we shall work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Grant Claims

- 5.19 We will review interim and final grant claims before submission to the grant awarding body. Our work will ensure that claims are accurate, complete and that income opportunities to the council are maximised.

Other Chargeable Activities

- 5.20 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 and monitoring the internal audit plan;
- Preparing and presenting monitoring reports to senior management and committee;

- Liaison with other inspection bodies (e.g. Grant Thornton);
- Assistance with the Annual Governance Statement;
- 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 2013/14
- On-going development within the Partnership to realise greater efficiencies in the future.

Advice / Consultancy

- 5.21 Internal Audit will continue to be consulted by all departments throughout the Authority on many and varied topics including, for example, interpretation of Financial Regulations/Standing Orders, corporate governance, internal controls, legislation (e.g. Data Protection), security, letting of contracts, PC/network access etc. The pro-active involvement of Internal Audit in risk and control issues, relating to new systems and changes, assists in protecting the Authority from loss, fraud and abuse.
- 5.22 In addition Internal Audit will continue to support major projects throughout the Council providing advice and input into key developments and initiatives some of which have been outlined in previous paragraphs.

Schools Audits

- 5.23 The Schools Financial Value Standard (SFVS) is now well established within schools. The standard helps governors, in particular, in self-evaluating the quality of their financial management and to aid in improving schools financial management.
- 5.24 The purpose of the SFVS is to make the best use of resources in the education system, to achieve the best possible outcomes for children. The DfE have made this a mandatory requirement for all schools and are changing the scheme of delegation to fit this requirement.
- 5.25 Audit of the control and governance arrangements within schools is carried out on a three year cyclical basis and covers all the key elements in SFVS. Our audit programme is tailored to fit with the SFVS in order to support schools and maintain efficiency. We have also developed support through our webpages with:
- model answers;
 - key timelines guidance;
 - training programme.
- 5.26 The Government's drive to encourage schools to become academies is firmly in place. However, there is no requirement for academy schools to have internal audit. We offer an audit service to Academy schools and have had success in the process of advertising and bidding for such work. All non-academy schools (still within LA control) currently buy back Internal Audit services from DAP.

6. PARTNERSHIP WORKING WITH OTHER AUDITORS

- 6.1 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.

- 6.2 The most significant partnership working arrangement that we currently have with other auditors continues to be that with the Council's external auditors. There has been a recent change in provider to Grant Thornton; we are working with colleagues from Grant Thornton to understand their requirements and to provide information that they will require. We have set up regular liaison arrangements to maximise the benefits of close working.

Robert Hutchins
Devon Audit Partnership
March 2013



Auditing for achievement

Summary of Planned Audit Coverage for 2013/14

Adult Services and Resources	120
Children's Services	155
Place and Resources	508
Public Health	20
Anti-Fraud including NFI	125
Other Chargeable Activities	393
Total Days for Torbay Council Internal Audit 13/14 Plan	1321
Schools	49

Adult Services and Resources

ICT Audit	
Hosted Services	7
File Storage	6
Mobile Device Management	6
Partnership Working	8
Information Security (PCI Compliance)	5
Service Strategy	5
Thin Client Planning and Roll Out	8
N3 Health Transfer	5
Telephony and Voice	5
Website Content Management	5
Social Networking and Media	5
IT Risk Assessment (working with External Audit)	5
Information Security Group (consultancy)	15
Other	
Procurement (Contract Compliance)	15
Democratic Representation and Management	10
Elections	10
Total Days	120

Children's Services

Local Integrated Service Trust (LIST)	10
Public Health – Transfer of Service	10
Markets – Internal and External	23
3 – 5 Year Budget Strategy	19
Business Systems and Processes	18
Parkfield (My Place)	16
Children's Centres - Contracts	12
Troubled Families	14
Section 17 Payments	9
Delegated Powers / Responsibilities	14
School Financial Value Standards (SFVS) Coordination	10
Total Days	155

Place and Resources

Payroll System Procurement and Implementation	20
Payroll	28
Business Change (Disposal of assets linked to CCRP/ORP)	20
Performance, Partnership & Research (Fair decision making process)	15
Discretionary Social Fund	15
Council Tax Support Scheme	10
Corporate Debt Team	15
Income Collection	18
Benefits	34
Council Tax and Non Domestic Rates	30
IBS Open System Administration	18
Creditors	23
Debtors	23
Purchase Order Processing (POP)	18
Bank Reconciliation	10
Main Accounting System	20
Treasury Management	15
Asset Register	10
FIMS System Administration	18
Environment Projects	35
South Devon Link Road	8
Parking Services	15
Transport – Strategic and Operational	15
Section 106	10
Carbon Management	5
Tor Bay Harbour Authority	15
Economic Development Company	25
English Riviera Tourism Company	20
Total Days	508

Public Health

Health & Safety (internal)	15
Bereavement Services	5
Total Days	20

Anti-Fraud and Irregularities

Anti-Fraud and Irregularities (including NFI)	125
Total Days	125

Other Chargeable Activities

Carry forward (completion of previous year work)	50
Procurement / Contract audit	20
Corporate Initiatives	20
Grant Claims	10
Advice / Consultancy	55
Other chargeable activities (audit planning, support for audit committee, internal audit standards, customer service excellence, file maintenance etc)	145
Follow Ups (previous audit recommendations)	25
Contingency	68
Total Days	393

Total Days for Torbay Council 2013/14 Internal Audit Plan 1,321days (excluding schools)

Schools

Schools (purchased directly by schools)	49
Total Days	49

Robert Hutchins
Head of Devon Audit Partnership
March 2013

Auditing for achievement