



Monday, 14 May 2018

AUDIT COMMITTEE

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

Tuesday, 22 May 2018

commencing at **2.00 pm**

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

Members of the Committee

Councillor Tyerman (Chairman)

Councillor Bent

Councillor O'Dwyer

Councillor Brooks

Councillor Long

Councillor King

Councillor Morey

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

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

Email: governance.support@torbay.gov.uk

www.torbay.gov.uk

AUDIT COMMITTEE AGENDA

1. **Election of Chairman/woman**
To elect a Chairman for the 2018/2019 Municipal Year.
2. **Appointment of Vice-Chairman**
To appoint a Vice-Chairman/woman for the 2018/2019 Municipal Year.
3. **Apologies**
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
4. **Minutes** (Pages 4 - 6)
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 21 March 2018.
5. **Declarations of interests**
 - (a) To receive declarations of non pecuniary interests in respect of items on this agenda
For reference: Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
 - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda
For reference: Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.

(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
6. **Urgent Items**
To consider any other items that the Chairman decides are urgent.
7. **Audit Committee Terms of Reference** (Pages 7 - 8)
To note the Audit Committee's Terms of Reference as approved at the Adjourned Annual Council meeting on 14 May 2018 and set out in the Council's Constitution.

8. **Annual Governance Statement 2017/2018** (Pages 9 - 27)
To consider the draft Annual Governance Statement for 2017/2018.
9. **Treasury Management Outturn Report** (Pages 28 - 40)
To note a report that informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2017/2018.
10. **Annual Audit Report 2017-18** (Pages 41 - 69)
To consider a report that reviews the work undertaken to date in 2017/2018, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.
11. **Corporate Performance Report Q4** (Pages 70 - 77)
To note the submitted report.
12. **Planned Audit Fee for 2018/19** (Pages 78 - 80)
To note the report on the above.
13. **Audit Progress Report and Sector Update** (Pages 81 - 90)
To note a report that provides an update on progress made by Grant Thornton in delivering their responsibilities as the Council's external auditors.
14. **Whistleblowing Complaints** (Pages 91 - 92)
To note the high level summary of whistleblowing complaints.



Minutes of the Audit Committee

21 March 2018

-: Present :-

Councillor Tyerman (Chairman)

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

123. Apologies

It was reported that, in accordance with the wishes of the Liberal Democrat Group, the membership of the Committee had been amended for this meeting by including Councillor Darling (S) instead of Councillor Long.

124. Minutes

The Minutes of the meeting of the Audit Committee held on 24 January 2018 were confirmed as a correct record and signed by the Chairman subject to the following amendment to Minute 120:

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

125. Urgent Items

The Committee considered the items in Minute 133, and not included on the agenda, the Chairman being of the opinion that they were urgent by reason of special circumstances i.e. the matter having arisen since the agenda was prepared and it was unreasonable to delay a decision until the next meeting.

126. Internal Audit Strategy

Members noted the Internal Audit Strategy. The Head of Devon Audit Partnership informed Members that the strategy was a high-level statement of how the internal audit service will be delivered.

Members questioned whether the service could withstand further budget reductions and still deliver a service that would provide the assurance required. Members were advised that Internal Audit had seen significant reductions which

coincided with changes to the Council, without these changes resources would have been a concern.

Members also explored the Children's Services partnership and whether Internal Audits responsibility would change, Members were advised that the contract envisaged an implementation programme of reviewing best practice for which the skills of Internal Audit would be required with sovereign powers retaining decision making powers.

Members queried the trigger for reporting incidents of fraud to the Audit Committee and requested the Assistant Director of Corporate and Business Services consider a protocol for when fraud issues should be raised with Audit Committee.

127. Internal Audit Charter

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

128. Internal Audit Plan 2018-19

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

129. Update on Emergency Planning and Business Continuity Audit

Members were advised that in 2017 an internal audit was undertaken of Emergency Planning and Business Continuity, a number of issues were identified with fundamental weaknesses being found in continuity planning. Members noted that in February the Senior Leadership Team agreed a new Corporate Business Continuity Strategy and the recent weather focusing attention even more on business continuity. Officers will be seeking approval from the Senior Leadership Team regarding the determination of the authority's critical functions, with testing of plans being programmed to determine the robustness of the plans.

Members questioned whether input from public transport services was sought during the recent weather events. The Assistant Director for Corporate and Business Services advised transport agencies input was sought at a silver command level however she acknowledged that locally the authority wasn't as interlinked with public transport as perhaps it could be. Members further questioned what reassurance the authority had regarding commissioned services such as care providers continuity plans. Members were advised that when services were first commissioned their continuity plans were requested, however business continuity focus has tended to be internal rather than on external organisations.

Members noted that following the presentation at the Audit Committee the Head of Devon Audit Partnership confirmed that the team were moving in the right direction to address the fundamental weaknesses.

130. Audit Progress Report and Sector Update

Members noted a report that detailed progress made by the Council's External Auditors in delivering their responsibilities and provided a summary of emerging national issues and developments that may be relevant to local authorities.

131. External Audit Plan

The Committee noted a report that provided an overview of the planned scope and timing of the statutory audit of the Council. Members noted that the following risks required specific audit consideration and procedures to address the likelihood of a material financial statement error:

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

The Audit Plan also set out the Council's significant value for money risks identified by the external auditor's initial risk assessment. Members noted the areas of focus for the auditor's Value for Money work in 2017/18.

132. Corporate Performance Report Q3 2017/18

Members noted the Corporate Performance Report for quarter 3. Members challenged the level of assurance they could gain from the report that underperforming areas would improve over the next quarter given that the report was not accompanied by recovery plans. Members requested that the report be circulated at the earliest opportunity in order for them to determine which performance indicators should be subject to a 'deep dive' by the Audit Committee.

133. Audit Committee Terms of Reference

Members were advised that recent DCLG guidance required Local Authorities to name a specific body responsible for ensuring effective scrutiny of the capital strategy. The Head of Finance felt that the Audit Committee would be the most appropriate body.

Resolved:

That the Monitoring Officer be requested to amend the Audit Committee's Terms of Reference to include the scrutiny of the Capital Strategy.

Audit Committee:

Terms of Reference:

1. To consider the Head of Internal Audit's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.
2. To consider summaries of specific Internal Audit reports as requested.
3. To consider reports dealing with the management and performance of the providers of Internal Audit Services.
4. To consider a report from Internal Audit on agreed recommendations not implemented within a reasonable timescale.
5. To consider the External Auditor's Annual Letter, relevant reports, and the report to those charged with governance.
6. To consider specific reports as agreed with the External Auditor.
7. To comment on the scope and depth of external audit work and to ensure it gives value for money.
8. To liaise with the Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.
9. To commission work from Internal and External Audit within approved resources.
10. To support the Council's compliance with the CIPFA Code of Practice for Treasury Management in Public Services including the role as nominated Committee to be responsible for ensuring effective scrutiny of the capital strategy, treasury management strategy and policies.

Regulatory Framework

11. To maintain a strategic overview of the Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour (the primary responsibility for considering and ensuring that the constitution is fit for purpose lies with the Monitoring Officer and the Standards Committee in relation to the codes of conduct).
12. To maintain a strategic overview of the Council's compliance with the prevailing Accounts and Audit Regulations.
13. To review any issue referred to it by the Chief Executive, a Director, the Monitoring officer, Section 151 Officer (Chief Finance Officer) or any Council body.
14. To monitor the effective development and operation of risk management and corporate governance in the Council.
15. To monitor council policies on 'Raising Concerns at Work' and the 'Anti-fraud and corruption strategy' and the Council's complaints process.
16. To consider the findings of reviews of the effectiveness of the system of internal control including the Annual Governance Statement and to recommend its adoption.
17. To oversee the Council's arrangements for corporate governance and consider necessary actions to ensure compliance with best practice.
18. To review the Code of Corporate Governance.
19. To monitor the Council's compliance with its own and other published standards and controls.
20. To maintain a strategic overview of the Council's compliance with the Regulation of Investigatory Powers Act 2000 (RIPA).

Accounts

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



Meeting: Audit Committee **Date:** 22 May 2018

Wards Affected: All

Report Title: Annual Governance Statement 2017/2018

Is the decision a key decision? No

When does the decision need to be implemented? Immediately

Executive Lead Contact Details: Elected Mayor Oliver, Executive Lead for Governance, mayor@torbay.gov.uk

Supporting Officer Contact Details: Kate Spencer, Corporate Support Manager
01803 207014 kate.spencer@torbay.gov.uk

1. Proposal and Introduction

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

2. Reason for Proposal

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

3. Recommendation(s) / Proposed Decision

- 3.1 That the draft Annual Governance Statement for 2017/2018 be agreed and forwarded to the External Auditors for comment.

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

Appendices

Appendix 1: Draft Annual Governance Statement 2017/2018

Background Documents

None

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ANNUAL GOVERNANCE STATEMENT FOR THE FINANCIAL YEAR 2017/2018

Scope of responsibility

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

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

Torbay Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework *Delivering Good Governance in Local Government*. The code is included in the Council's Constitution which is available on the Council's website at <http://www.torbay.gov.uk/DemocraticServices/ieListMeetings.aspx?Cid=458&info=1>

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

The purpose of the governance framework

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

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

The governance framework has been in place at Torbay Council throughout the year ended 31 March 2018 and up to the date of approval of the statement of accounts.

The Governance Framework

The Constitution

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

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

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

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

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

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

All members are inducted into the importance and processes of good governance and have informal and, if required, formal ways of raising governance issues with the Chief Executive, Monitoring Officer, Chief Finance Officer and the Senior Leadership Team.

The Corporate Plan and Decision-making

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

these documents provide a framework for planning and monitoring resource requirements.

The Council's Transformation Programme has continued to be delivered during 2017/2018. This aims to ensure that the ambitions within the Council's Corporate Plan are met whilst seeking to maximise efficiencies, income and savings (in accordance with the requirements of the Medium Term Resource Plan and create service resilience. The Elected Mayor's Policy Development and Decision Groups receive reports and make recommendations to him on Executive decisions. The Elected Mayor then, in the majority of cases, takes those decisions at meetings of the Policy Development and Decision Group. All reports to members include sections on the financial and legal implications and the risks of the proposed decision. Prior to publication, these reports are cleared by the Chief Executive, Chief Finance Officer and the Monitoring Officer or one of their senior staff.

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

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

Community and Service User Engagement

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

In developing proposals for service change, consultation with service users and the public is undertaken. In particular, the impact on vulnerable groups and those with characteristics protected under the Equality Act 2012 is assessed and documented in Equality Impact Assessments which are considered by decision-makers prior to decisions being made.

Partnership Working

The Torbay Strategic Partnership has met throughout the year and the Council and its partners have agreed "Your Torbay, Your Future" which sets out the Partnership's vision for Torbay in the future.

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

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

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

The Council is a member of the Heart of the South West Joint Committee which will be delivering the Productivity Strategy for the region and maximising the opportunities for Government funding in Devon and Somerset. The Council is also pursuing other partnership opportunities such as the Plymouth and South West Peninsula City Deal. In addition, the Council is working with partners on the Wider Devon Sustainability and Transformation Plan and the Better Care Fund together with other initiatives with Devon County Council, Plymouth City Council and local district councils, including the Devon-wide National Non-Domestic Rates pilot scheme. Significantly 2017/18 saw preparations for the revised arrangements for Children's Services with Plymouth City Council which came into effect on 1 April 2018.

Performance and Risk Management

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

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

Senior Management

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

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

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

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

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

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

Training and Information

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

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

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

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

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

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

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

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

Customer Feedback, Whistleblowing and Prevention of Fraud

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

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

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

The Council's Whistleblowing Policy was agreed in July 2013 and is available on the Council's website and intranet site. The Council has an established phone line that any whistleblowing call can be made to and which goes directly to Internal Audit which has responsibility for dealing with these issues in the first instance. The Probity and Ethics Group; comprising of the Monitoring Officer, the Chief Finance Officer, Internal Audit and the Head of Human Resources, continue to meet to consider and progress as appropriate all matters of concern.

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

Information Management

The Council holds and processes a significant amount of information. It is critical that the information held is of good-quality, accurate and kept up-to-date to inform decision making. Equally important is the requirement to process personal and sensitive information in accordance with the Data Protection Act 1998. To support this, there is an Information Governance Steering Group, which consists of the Information Governance Lead, the Senior Information Risk Owner (SIRO) and the Council's Caldicott Guardian. This Group reviews the Council's approach to information management and sharing. There is also an Information Security Group which is made up of operational staff to review and update processes to ensure that the day to day handling of information is carried out in accordance with legislative requirements. Under this framework there are a number of operational policies and procedures including a suite of information security policies. These policies are subject to regular review and updates communicated to all staff.

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

Internal Audit

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

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

- Annual reviews of the Council's key financial systems by Internal Audit against known and evolving risks.
- Reviews of internal controls in operation within each service area against known and evolving risks based on a detailed risk assessment. These reviews consider the strategic and operational risks identified in the Corporate Risk Register, as well as materiality, sensitivity and previous audit and inspection findings.
- Work in relation to the investigation of any potential irregularities identified either from audit work or through the Council's whistle-blowing policy.

- Advice and support to ensure future safeguards when implementing new systems.
- Value for money work in relation to assessing the efficiency, economy and effectiveness of the Council's operations and recommending improvements as necessary.

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

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

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

Review of Effectiveness

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

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

The effectiveness of the governance framework has been evaluated over the course of the year against the seven core principles within Torbay Council's Code of Corporate Governance. Details of the evaluation is included in the sections which follow. Whilst some governance issues have been identified (and are detailed below), the Council believes that its arrangements continue to be regarded as fit for purpose in accordance with the governance framework.

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

The Council's Corporate Plan was adopted in September 2015 with the associated Delivery Plans adopted in May 2016. The Delivery Plans set out the challenges faced by the Council, where it aims to be in 2019 and the areas on which the Council will focus. The Performance and Risk Dashboards set out how the Council will measure its performance towards meeting the ambitions of the Corporate Plan and the

actions in the Delivery Plans. This will include progress against each action within the Delivery Plans and an identification of the priorities for the coming months.

The Council has established a Strategic Partnership for Torbay and developed “Your Torbay, Your Future” which sets out the long term aspirations for Torbay. This was adopted by the Council in June 2017 as an Annex to the Council’s Corporate Plan.

A revised Risk Share Agreement in respect of the Integrated Care Organisation was agreed during 2017/2018 whereby the Council “bought-out” its share of the risk at a set amount for the remainder of the agreement. This involved the Council providing a higher amount of funding to the Torbay and South Devon NHS Foundation Trust than the core funding previously provided. The revised Risk Share Agreement provides budget certainty in respect of Adult Social Care for the Council moving forward. Discussions will take place during 2018/2019 on the future arrangements, once the current Agreement comes to an end.

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

The Council’s Constitution has been continually reviewed throughout the year by the Monitoring Officer, Chief Financial Officer and Governance Support Manager in consultation with the Elected Mayor and Group Leaders whereby improvements and changes to the constitution are made and agreed. The Members’ Development Programme continues to be delivered and communication with councillors is supplemented by Councillor Conversations which take place to provide an informal opportunity to discuss forthcoming issues. The Elected Mayor and Group Leaders meet monthly to discuss a range of issues aimed at working better together.

The recommendations arising from the Corporate Peer Challenge undertaken by the Local Government Association in 2015 have all been implemented and Council decision making is being effectively delivered.

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

The Standards Committee has been re-appointed and has met as required during 2017/2018. The Monitoring Officer continues to meet with the Independent Person (appointed to assist the Standards Committee in the Member Complaint Process) to hear their views and opinions on various matters relating to Members’ conduct. The Independent Person assisted with a number of complaints and provided views throughout an investigation that was subsequently considered by a Standards Hearing Sub-Committee.

The Council’s Code of Conduct, Information Governance, Whistleblowing and Acceptable Behaviour policies are available for all staff on MyView. They are also referred to within employees’ terms and conditions of employment and are binding upon employees during the course of their employment with the Council. Reminders are sent out to staff via newsletters and internal communications,

including the Chief Executive's Letter. The Council's induction programme also signposts to the above policies for new starters.

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

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

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

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

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

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

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

The Overview and Scrutiny Board has undertaken a range of work from reviewing draft Policy Framework documents to matters arising from budget monitoring reports. Two decisions of the Elected Mayor have been called-in over the course of 2017/2018.

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

Overview and Scrutiny Briefings are held to which all members of the Council are invited to attend. This provides an opportunity to share information and identify issues which should be formally considered by the Overview and Scrutiny Board.

The Council's Information Asset Register is being reviewed and updated as part of the Council's GDPR project plan, this will allow the Council the information which

being processed across all departments, the lawful basis for processing and the security measures associated with the information asset. This will allow the Council to ensure that we are compliant to the forthcoming changes to data protection law.

The Performance and Risk Management Framework was reviewed as part of the LGA Corporate Peer Challenge in 2015 with a recommendation 'to ensure that the framework is effectively rolled out, and adding to the 'business' of the authority'. The subsequent internal audit report on Risk Management and Risk Recording (dated January 2017) found that Councillors and Senior Managers take the lead to ensure that approaches for addressing risk are being developed and implemented. It also found that the Framework, as a methodology, was effective, well-structured and integrated with performance monitoring.

Building on the recommendations about the risk framework, further work has been developed in terms of the council's risk register and business continuity and the proposed approach has now been approved by the council's senior leadership team. Operational risk registers will be developed at an operational level by departments, risks will be escalated on the strategic risk register as they meet the threshold for being 'high risk'.

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

A full Member Induction Programme was put in place immediately post the Local Elections in May 2015. Over the course of the year, the second phase of the Member Development Programme continued to build members' focus on the strategic issues.

A Constitution Working Party has been established to review the preparation by the Monitoring Officer of a new Constitution for a Leader and Cabinet model of governance for implementation in May 2019. This Working Party has commenced its work and will also work to identify member development needs to ensure an effective transition to the new governance arrangements.

The Senior Leadership Team has kept the operation of its meetings under review over the course of the year in order to increase their capacity to focus on those issues of strategic importance. An Organisational Development Plan (including an SLT Development Plan) is in place.

Workforce planning across the organisation is in place to assist managers in identifying the learning and development requirements within their service areas. Training for all staff on key policies, procedures and legislation is available through i-Learn, the Council's online learning portal.

SLT continue to deliver improvements previously identified through the staff survey, in respect of:

- Clear and consistently applied face-to-face communication
- Staff recognition and celebration of success

- Everyone in the organisation understanding how the Corporate Plan relates to them
- Tackling bullying and harassment

Examples of specific actions which have taken over the course of the year to deliver these improvements include:

- Templates to assist managers and staff with 1:1 and team meetings to provide consistency of communication.
- Key messages and information communicated from the Senior Leadership Team directly to all managers at Managers Forums with an emphasis on the cascade of information to front line staff
- Introduction of a staff recognition scheme to reward staff who have gone the extra mile and consistently display the Council's core values.

All of the above has been supported through the implementation of a new learning and development plan and the re-introduction of the Council's Staff Wellbeing Focus Group. New learning and development courses and programmes have been introduced for leaders, managers and staff which support aspects of the corporate plan and its delivery across the organisation, but also in direct response to some of the issues raised in the staff survey. Courses for staff have included Personal Effectiveness, Customer Service and Assertiveness, Confidence Building and Communication.

A new corporate leadership programme has been introduced to encourage consistency amongst senior managers in regard to the delivery and implementation of the corporate plan and core values. This programme has also provided development opportunities for them to get involved in leading and implementing projects, the staff survey action plan is an area that has been identified for them to continue to take forward.

The Staff Wellbeing Group has been reintroduced to ensure that the health and wellbeing of staff continues to be a focus for the organisation. The Group will continue to support the staff survey actions as well as introducing new wellbeing initiatives, such as the introduction of Mental Health First Aiders across the Council during 2018.

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

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

The Action Plan associated with the Communication, Consultation and Engagement Strategy continues to be implemented aimed at improving the way that the Council communicates, consults and engages with the residents of Torbay.

There continues to be good engagement from partners with the Torbay Strategic Partnership and an independent Chairman has been appointed. . There is a desire and intent to work together to develop plans to deliver the Partnership's ambitions as set out in "Your Torbay, Your Future".

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

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

The last year has seen national tragedies in respect of the Grenfell fire, and the Manchester bombing. These tragedies have seen both concerns and praise in respect of wider community engagement. It is important that the Council takes account of the community engagement lessons from these events. It is recognised that a Community Partnership framework, to incorporate engagement with Brixham Town Council, is not utilised as effectively as it could be and this will be reviewed over the coming year along with the exploration of other avenues for engaging with local people and communities. It is hoped that a refreshed framework will be in place for May 2019 for the new Council administration to consider.

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

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

The approach to managing and reporting risk has been reviewed and updated to ensure that operational risks will be recorded centrally and issues can be escalated to SLT, these will then be considered as part the strategic risk register to determine what actions need to be put in place.

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

The Children's Improvement Board has continued to meet to ensure that the action plan in response to the January 2016 Ofsted Inspection of services is implemented. In February 2018, Ofsted undertook their fifth monitoring visit. The visit identified that the Local Authority's progress in improving services for its children and young people remained too slow and that the quality of service that some children looked after receive has declined since the Local Authority was last inspected. The findings

of the monitoring visit have been carefully scrutinised and the findings and recommendations in this latest letter have been added to the Improvement Plan, with changes having been implemented within our senior and middle management to ensure the delivery of services to children and young people are the best that we can provide.

Following the recommendation of the Government-appointed Children's Commissioner, Torbay Council entered into a contractual partnership with Plymouth City Council on 1 April 2018 for the running of Torbay's Children's Services. A Joint Director of Children's Services has been appointed who will report to both Councils' Chief Executives and politicians under a set of managerial and political arrangements which remain unchanged.

As reported in the 2016/2017 Annual Governance Statement, in early 2017, the internal audit undertaken of Emergency Planning and Business Continuity identified a number of issues that needed addressing. It identified a "Fundamental Weakness" in business continuity planning. Work on addressing the recommendations has been prioritised and the Senior Emergency Planning Officer has been working with representatives from the Senior Leadership Team, Risk Management and IT to agree an overarching approach to risk. In February 2018 a new Corporate Business Continuity Strategy was agreed and this is now being implemented.

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

Significant governance issues

Following the Ofsted Inspection of services for children in need of help and protection, children looked after and care leavers (January 2016) which judged services to be inadequate, the Council was subject to a Statutory Direction in May 2016 with a revised Direction issued in March 2018. The Direction remains in place and the Chief Executive of Hampshire County Council continues as Commissioner for Children's Services in Torbay. An Improvement Board chaired by the Commissioner with representatives from the Council and local partners has met regularly throughout the year to oversee the improvement process. The Commissioner also reports on a quarterly basis to the Secretary of State on progress. The direction will remain in place until such time as it is revoked by the Secretary of State. The final Ofsted monitoring visit has taken place (with the observations detailed above) and Children's Services will be subject to re-inspection in the coming months.

The internal audit report on Food Safety, Safety and Licensing (dated March 2018) identified that improvements were required as there were a number of instances where controls and procedures did not adequately mitigate the risks identified. Existing procedures needed to be improved in order to ensure that they are fully reliable. The overall opinion of "Improvements Required" was given following improvements made after the conclusion of the audit. In particular, the sufficiency of resource to deliver statutory functions to minimise the risk to public safety and

the associated risk of potential legal challenge and reputational risk to the Council was highlighted. A management response to the report is currently being prepared which will be implemented over the course of 2018/2019.

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

Conclusion

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

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

Steve Parrock
Chief Executive

Gordon Oliver
Elected Mayor of Torbay

Action	Responsible Officer	Deadline
Hold discussions on the future arrangements for adult social care once the current Risk Share Agreement ends	Director of Adult Services and Housing	31 March 2019
Continue to review and update the Information Asset Register	Assistant Director of Corporate Services and Operations	31 March 2019
Develop operational risk registers	Senior Leadership Team	31 March 2019
Constitution Working Party to consider proposed Constitution and member development requirements for the Leader and Cabinet model of governance.	Director of Corporate Services and Operations	1 May 2019
Continue to deliver the Staff Survey Action Plan	Chief Executive	31 March 2019
Continue to deliver the Action Plan associated with the Communication, Consultation and Engagement Strategy	Director of Corporate Services and Operations	31 March 2019
Refresh the Community Partnership framework ahead of consideration by the new Council administration	Director of Corporate Services and Operations	31 March 2019

Continue to deliver the Children's Services Ofsted Improvement Plan	Director of Children's Services	31 March 2019
Deliver the Action Plan in response the Internal Audit report on Emergency Planning and Business Continuity	Executive Head – Community Services	31 March 2019
Prepare and implement an Action Plan in response the Internal Audit report on Food Safety, Safety and Licensing	Executive Head – Community Services	31 March 2019



Meeting: Audit Committee

Date: 22nd May 2018

Wards Affected: All Wards in Torbay

Report Title: Treasury Management Outturn 2017/18

Is the decision a key decision? No

When does the decision need to be implemented?

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

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

1. Proposal and Introduction

- 1.1 This report informs Members of the performance of the Treasury Management function in supporting the provision of Council services in 2017/18 through management of cash flow, debt and investment operations and the effective control of the associated risks.
- 1.2 The headline points of the report are:
- New borrowing of £124 million taken to fund the Capital Investment Fund
 - Reduction in the overall average borrowing rate to 3.40%
 - Annual investment rate achieved exceeded the market benchmark
 - Increased investment in the CCLA Local Authorities Property Fund

2. Reason for Proposal

- 2.1 The Council is required through regulations issued under the Local Government Act 2003 to produce an annual outturn report reviewing treasury management activities and the actual prudential and treasury indicators for 2017/18.
- 2.2 This report also meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code). Both Codes were revised in December 2017 but full implementation is not required for the 2017/18 financial year.

3. Recommendation(s) / Proposed Decision

3.1 That the Treasury Management decisions made during 2017/18, as detailed in the submitted report be noted; and

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

4. Background Information

4.1 Treasury management is defined by the 2011 Code of practice as:

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

4.2 During 2017/18 the minimum reporting requirements were that full Council should receive the following reports:

- An annual treasury strategy in advance of the year (Council 9th February 2017)
- A mid-year review report (Council 19th October 2017)
- An annual report following the year describing the activity compared to the strategy (this report)

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

4.4 The Council confirms that it has complied with the requirement under the Code to give prior scrutiny to the above strategy and mid-year treasury management reports by the Audit Committee before they were reported to full Council. Member training on treasury management issues was undertaken in July 2015 in order to support members’ scrutiny role.

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

4.7 This report covers:

- The Economy and Interest rates
- Treasury Position at year end;
- The Strategy for 2017/18;
- Borrowing Outturn for 2017/18;
- Investment Outturn for 2017/18;
- Revenue Budget Performance;
- Reporting Arrangements and Management Evaluation

- Loans to Organisations
- Prudential and Treasury Indicators (Appendix1)

5. The Economy and Interest Rates

5.1 A commentary provided by Link Asset Services is presented at Appendix 2 to the report.

6. Overall Treasury Position as at 31 March 2018

6.1 At the beginning and the end of 2017/18 the Council's treasury position was as follows:

TABLE 1	31 March 2017 Principal	Rate/ Return	Average Life yrs	31 March 2018 Principal	Rate/ Return	Average Life yrs
Borrowing	£153.1m	4.17%	26.3 years	£272.4m	3.40%	31.0 years
Other long term liabilities	£19.6m	5.14%	18.9 years	£18.9m	5.14%	17.9years
Total debt	£172.7m	4.25%	25.5 years	£291.3m	4.04%	30.2 years
CFR	£174.3m			£279.5m		
Over*/(under) borrowing	£(1.6)m			£11.8m		
Total investments	£41.7m	0.91%		£64.7m	0.83%	
Net debt	£131.0m	3.24%		£226.6m	3.16%	

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

7. The Strategy for 2017/18

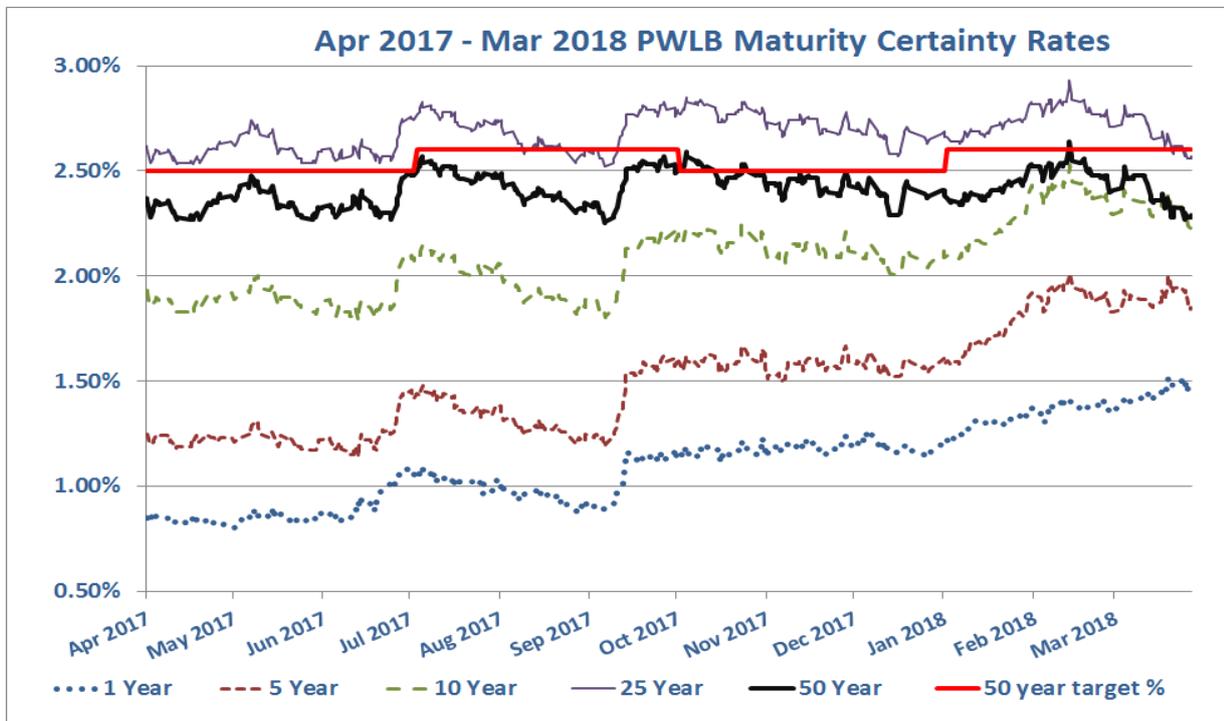
7.1 The 2017/18 approved strategy earmarked the use of existing cash resources to initially fund planned capital expenditure (internal borrowing) in order to delay the additional cost of borrowing to the General Fund until income streams were realised.

7.2 Due regard was given to the potential for changes in rate forecasts and in the event of sharp rises the CFO had sufficient powers to vary the strategy and take a greater proportion of the borrowing requirement earlier to protect the affordability of capital schemes over the longer term.

7.3 Core cash levels were already locked into longer term, higher yielding investments from previous strategy decisions. Remaining cash levels were to be kept available for the internal borrowing strategy in para 7.1 and mainly limited to short term liquidity instruments.

8. Borrowing Outturn 2017/18

8.1 The graph below shows the movement in PWLB borrowing rates for a selection of maturities over the year. The 25 and 50 year maturities were volatile through the year without any consistent trend. Shorter term rates were on a rising trend peaking in February March 2018.



8.2 2017/18 was an unprecedented year in terms of borrowing activity for Torbay Council. The ambitious Capital Plan, in particular a number of Investment Fund acquisitions (£99 million) gave rise to a significant capital Financing Requirement. A number of loans were taken from the Public Works Loan Board (PWLB) throughout the year and £4.5 million of maturities were repaid, as summarised below:

New Loans in year	£124 million
Average rate of new loans	2.45%
Average term of new loans	37 years
Maturities repaid	£4.5 million

8.3 Maturities were weighted towards the longer end to take of advantages in the yield curve and provide potential opportunities for debt rescheduling in the future when rate levels eventually rise.

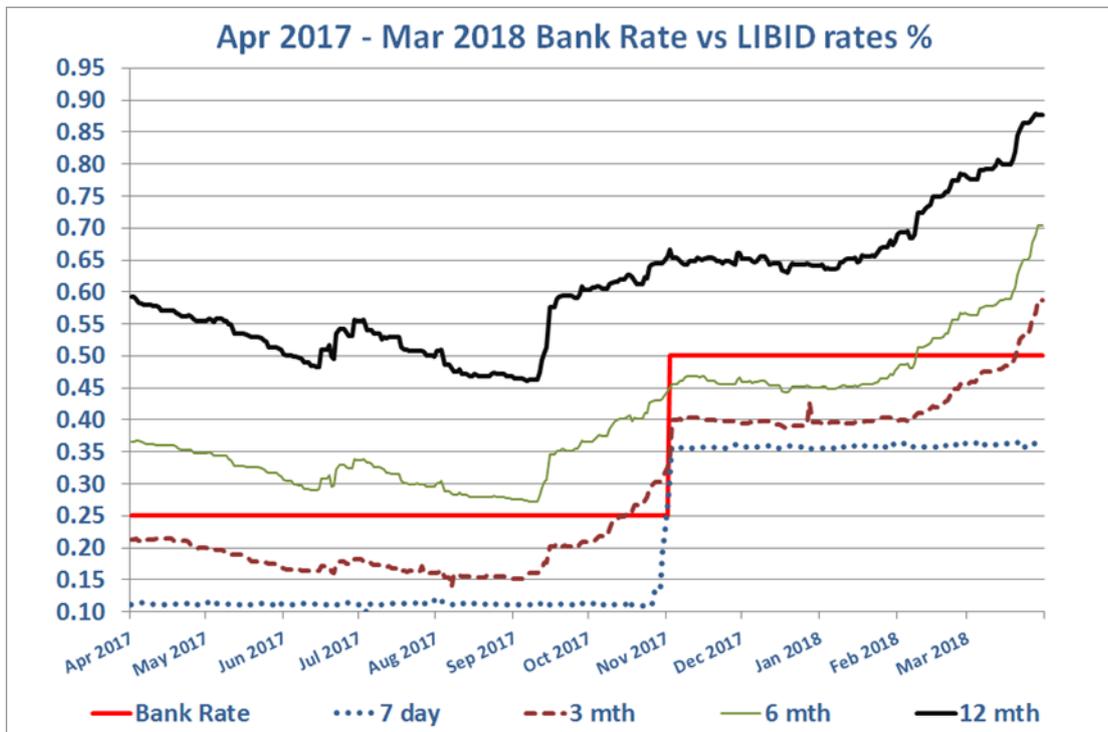
8.4 In line with the strategy borrowing amounts were sufficient to cover funding needs after applying available internal cash to capital expenditure. Timing of borrowing was generally delayed until certainty of outlay (i.e. exchange of contracts on Investment Fund acquisitions)

8.5 These measures were balanced by some defensive funding to protect against volatility in the markets and risks of sharp rises in borrowing rates. At year-end there was an over-borrowed position of £11.8 million to the Capital Financing Requirement pending potential capital spending in the new financial year.

8.6 As a result of the new loans the borrowing portfolio (excluding other long term liabilities) has increased to £272.4million and the average rate of interest paid across all loans in 2017/18 was 3.65%.

9. Investment Outturn 2017/18

9.1 The movement in key market investment rates during 2016/17 are illustrated in the table below.



- 9.2 Investments rates for 3 months and longer have been on a rising trend during the second half of the year in the expectation of Bank Rate increasing from its floor of 0.25%, and reached a peak at the end of March. Bank Rate was duly raised from 0.25% to 0.50% on 2nd November 2017 and remained at that level for the rest of the year. However, further increases are expected over the next few years. Deposit rates continued into the start of 2017/18 at previous depressed levels due, in part, to a large tranche of cheap financing being made available under the Term Funding Scheme to the banking sector by the Bank of England; this facility ended on 28th February 2018.
- 9.3 In line with the primary strategy investments were limited to short term instruments with wide use made of Money market Funds. Deposits of 3 to 6 months were also transacted to provide some uplift to the overall return on short term funds.
- 9.4 Cash levels were boosted by a raft of PWLB borrowing in November and the Chief Finance Officer took advantage of this position to place a further £2M of strategic funds into the CCLA Local Authorities Property Fund at the end of January 2018. This represented a forward investment of an element of the core cash allocation, ahead of existing deals maturing later in 2018.
- 9.5 **Performance Analysis** - Detailed below is the result of the investments undertaken by in 2017/18. The Council's investment returns remain well in excess of the market benchmark while still maintaining availability of funds for internal borrowing

	Average Investment Principal	Rate of Return (gross of fees)	Rate of Return (net of fees)	Capita Benchmarking Club*		Market Benchmark/ Target Return
				Peer LA Comparison	English Unitaries	
Internally Managed	£63.5M	0.52%	Na	0.59%	0.58%	0.21%
CCLA Property Fund	£3.3M	4.82%	4.23%			
Combined	£66.8M	0.74%	0.71%			0.21%

* As at December 2017. Year end results not available at time of report.

9.12 In interest terms, the treasury strategy and decisions implemented contributed an additional £330,000 (after fees) to the General Fund over and above what would have been attained from the benchmark return.

9.13 A list of those institutions with which the in-house team invested funds during the year is provided at Appendix 3. No institutions with which investments were made showed any difficulty in repaying investments and interest in full during the year.

10 Revenue Budget Performance

10.1 The effect of the decisions outlined in this report on the approved revenue budget is outlined in the table below. The changes in interest paid and MRP directly relate to purchases of investment properties later in the financial year which provide an income stream to the Council.

	Revised Budget 2017/18	Actual 2017/18	Variation
	£M	£M	£M
Investment Income	(0.4)	(0.5)	(0.1)
Interest Paid on Borrowing	7.5	7.9	0.4
Net Position (Interest)	7.1	7.4	0.3
Minimum Revenue Provision (MRP)	3.1	3.2	0.1
MRP re: PFI	0.6	0.6	0
Net Position (Other)	3.7	3.8	0.1
Net Position Overall	10.8	11.2	0.4

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

11 Reporting Arrangements and Management Evaluation

11.1 The management and evaluation arrangements identified in the annual strategy and followed for 2017/18 were as follows:

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

12 Loans to Organisations

12.1 The Council has provided loans or loan facilities to the following organisations. These are policy decisions and not part of the treasury management strategy except for identifying any impact on cash balances:

Value of loan 31 st March 2017 £000s	Organisation	Value of loan 31 st March 2018 £000's	Due within one year £000's	Due in excess of one year £000's	Years on loan
1,464	Torbay Economic Development Company	1,445	51	1,394	25
945	Torbay Coast & Countryside Trust	916	17	899	45
67	Academy Schools	0	0	0	-
7	Babbacombe Cliff Railway	0	0	0	-
32	Sports Clubs	30	2	28	various
-	Care Home Provider	1,217	101	1,116	25
-	South Devon College	3,880	160	3,720	25
-	Parkwood Leisure	515	0	515	12
2,515		8,003	331	7,672	

12.2 The current overall rate of interest on these loans is around 3.5%.

Appendices

Appendix 1: Prudential and Treasury Indicators 2017/18

Appendix 2: The Economy and Interest Rates

Appendix 3: Counterparties with which funds have been deposited in 2017/18

Background Documents

[Treasury Management Strategy 2017/18](#)

Appendix 1

Prudential and Treasury Indicators 2017/18

Capital Expenditure and Financing 2017/18

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

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

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

	2016/17 Actual £m	2017/18 Revised Budget £m	2017/18 Actual £m
Total capital expenditure	37	135	121

Capital Financing Requirement

The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR). This figure is a gauge of the Council's net debt position. The CFR results from the capital activity of the Council and what resources have been used to pay for the capital spend. It represents the 2017/18 unfinanced capital expenditure and prior years' net or unfinanced capital expenditure which has not yet been financed by revenue or other resources.

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

Reducing the CFR – the Council's underlying borrowing need (CFR) is not allowed to rise indefinitely. Statutory controls are in place to ensure that capital assets are broadly charged to revenue over the life of the asset. The Council is required to make an annual revenue charge, called the Minimum Revenue Provision – MRP, to reduce the CFR. This is effectively the reserving of funds for repayment of the borrowing need. This differs from the treasury management arrangements which ensure that cash is available to meet capital commitments. The Council's 2017/18 MRP Policy (as required by MHCLG Guidance) was approved as part of the revised Treasury Management Strategy Report for 2017/18 on 19th October 2017.

The total CFR can also be reduced by:

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

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

CFR (£m)	31 March 2017 Actual	31 March 2018 Revised Indicator	31 March 2018 Actual
CFR at Year End	174.3	288	280

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

Net borrowing and the CFR - in order to ensure that borrowing levels are prudent over the medium term the Council's external borrowing, net of investments, must only be for a capital purpose. This essentially means that the Council is not borrowing to support revenue expenditure. Net borrowing should not therefore, except in the short term, have exceeded the CFR for 2017/18 plus the expected changes to the CFR over the subsequent two years. This indicator allows the Council some flexibility to borrow in advance of its immediate capital needs. The table below highlights the Council's net borrowing position against the CFR. The Council has complied with this prudential indicator.

CFR (£m)	31 March 2017 Actual	31 March 2018 Actual
Opening balance	151.1	174.3
Capital expenditure in year funded from borrowing	26.6	109.0
Minimum Revenue Provision	(3.4)	(3.8)
CFR at Year End	174.3	279.5
Net borrowing position	131.0	226.6

The authorised limit - the authorised limit is the "affordable borrowing limit" required by s3 of the Local Government Act 2003. The Council does not have the power to borrow above this level. The table below demonstrates that during 2017/18 the Council has maintained gross borrowing within its authorised limit.

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

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

	2017/18
Authorised limit	£330m
Maximum gross borrowing position	£272.5m
Operational boundary	£310m
Average gross borrowing position	£215.4m
Financing costs as a proportion of net revenue stream	10.1%

Treasury Indicators:

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

	31 March 2018 Actual	31 March 2018 Proportion	2017/18 Original Limits Lower-Upper
Up to 10 years	£34M	12%	5% - 50%
10 to 20 years	£51M	19%	5% - 50%
20 to 30 years	£30M	11%	10% - 60%
30 to 40 years	£58M	21%	10% - 50%
Over 40 years	£99M	36%	0% - 50%

Principal sums invested for over 364 days - The purpose of this indicator is to contain the Council's exposure to the possibility of losses that might arise as a result of it having to

seek early repayment or redemption of principal sums invested. The Actual figure reflects investment in the CCLA Property Fund

	2017/18 Limit	2016/17 Actual
Investments of 1 year and over	£35m	£5m

Exposure to Fixed and Variable Rates - The Prudential Code requires the Council to set upper limits on its exposure to the effects of changes on interest rates. The exposure to fixed and variable rates was as follows:

	31 March 2017 Actual %	2017/18 Upper Limits %	31 March 2018 Actual %
Limits on fixed interest rates:			
• Debt only	100	100	100
• Investments only	53	80	34
Limits on variable interest rates			
• Debt only	0	30	0
• Investments only	47	85	66

Appendix 2

The Economy and Interest Rates

By Link Asset Services April 2018

During the calendar year of 2017, there was a major shift in expectations in financial markets in terms of how soon Bank Rate would start on a rising trend. After the UK economy surprised on the upside with strong growth in the second half of 2016, growth in 2017 was disappointingly weak in the first half of the year which meant that growth was the slowest for the first half of any year since 2012. The main reason for this was the sharp increase in inflation caused by the devaluation of sterling after the EU referendum, feeding increases into the cost of imports into the economy. This caused a reduction in consumer disposable income and spending power as inflation exceeded average wage increases. Consequently, the services sector of the economy, accounting for around 75% of GDP, saw weak growth as consumers responded by cutting back on their expenditure. However, growth did pick up modestly in the second half of 2017. Consequently, market expectations during the autumn, rose significantly that the MPC would be heading in the direction of imminently raising Bank Rate. The minutes of the MPC meeting of 14 September indicated that the MPC was likely to raise Bank Rate very soon. The 2 November MPC quarterly Inflation Report meeting duly delivered by raising Bank Rate from 0.25% to 0.50%.

The 8 February MPC meeting minutes then revealed another sharp hardening in MPC warnings on a more imminent and faster pace of increases in Bank Rate than had previously been expected.

Market expectations for increases in Bank Rate, therefore, shifted considerably during the second half of 2017-18 and resulted in **investment rates** from 3 – 12 months increasing sharply during the spring quarter.

PWLB borrowing rates increased correspondingly to the above developments with the shorter term rates increasing more sharply than longer term rates. In addition, UK gilts have moved in a relatively narrow band this year, (within 25 bps for much of the year), compared to **US treasuries**. During the second half of the year, there was a noticeable trend in treasury yields being on a rising trend with the Fed raising rates by 0.25% in June, December and March, making six increases in all from the floor. The effect of these three increases was greater in shorter terms around 5 year, rather than longer term yields.

The major UK landmark event of the year was the inconclusive result of the **general election** on 8 June. However, this had relatively little impact on financial markets

Appendix 3

Counterparties with which funds were deposited (April 2017 – March 2018)

Banks and Building Societies

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

Local Authorities

Lancashire County Council
Nottinghamshire Police and Crime Commissioner
Newcastle City Council
Leeds City Council
London Borough of Barking and Dagenham
Monmouthshire County Council

Other Approved Institutions

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

Internal Audit

Annual Audit Report
2017-18

Torbay Council
Audit Committee

Page 41
May 2018

Robert Hutchins
Head of Audit Partnership

Auditing for achievement

Agenda Item 10

Introduction

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

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

The Internal Audit plan for 2017/18 was presented and approved by the Audit Committee in March 2017. The following report and appendices set out the background to audit service provision; a review of work undertaken to date in 2017/18, and provides an opinion on the overall adequacy and effectiveness of the Authority's internal control environment.

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

Expectations of the Audit Committee from this annual report

Audit Committee members are requested to consider:

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

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

Robert Hutchins
Head of Devon Audit Partnership

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Opinion Statement

Overall, based on work performed to date during 2017/18 and our experience from previous years', the Head of Internal Audit's Opinion is of "Significant Assurance" on the adequacy and effectiveness of the majority of the Authority's internal control framework. The exceptions to this are Public Health and Children's Services, where opinions are of 'Limited Assurance'; engagement with these service areas has greatly improved, as shown in the overall direction of travel.

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

The Authority's internal audit plan for the current year includes specific assurance, risk, governance and value added reviews which, with prior years audit work, provide a framework and background within which we assess the Authority's control environment. These reviews have informed the Head of Internal Audit's Opinion on the details of Internal Audit's opinion on each audit review carried out in 2017/18 to date. If significant weaknesses have been identified in specific areas, these will need to be considered by the Authority in preparing its Annual Governance Statement later in the year when preparing the Statement of Accounts for 2017/18.

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

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

This statement of opinion is underpinned by:

Internal Control Framework

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

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

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

Risk Management

Risk Management process at Strategic level remains in place and is currently subject to a revised process through an ongoing project, which incorporates inclusion of ICT Continuity and Disaster Recovery, Corporate Business Continuity and Emergency Planning. There remains work to be done to integrate all of this at operational level.

Governance Arrangements

Governance arrangements have been reviewed in the areas of Transformation (including an ongoing review of Investment Committee), System Implementation, Projects and Procurement and Contract, where opportunities were found for improvement. The Information Security Group continues to provide governance in relation to management of information.

Performance Management

The Transformation Programme performance is monitored by the Transformation Board. For other contracts, monitoring and governance is variable across the Authority and opportunities for improvement identified. Performance of ICT provision is monitored and is currently undergoing a review of the service delivery model.

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

Summary Assurance Opinions

Service Area Overview of Audit Coverage				
Joint Commissioning Team			Joint Operations Team	
Children's Services	Adult Services and Housing	Public Health	Commercial Services and Transformation	Corporate Services and Operations
Business Processes / workforce strategy	NRS Joint Equipment Store	Commissioned Services - Contracts Management and Monitoring (Drugs & Alcohol and Public Health Nursing including 0-5 Activities - Health Visitors)	Income	Fair Decision Making
School Transport Provision	Commissioning and Performance Management		Treasury Management	IBS System Admin
Placement Activity			FIMS System Admin	Benefits
Schools - Financial Value Standards			Asset Register	TOR2 Commissioning
Schools - Maintained Schools Audit Programme			Procurement & Contract	Safer Communities
Torbay Safeguarding Childrens Board			FIMS Upgrade Project	Commissioning by the Council of the TDA
Looked After Children - Referrals			Asset & Facilities Management system project	Coroner
Schools Forum / DSG			Transformation	Human Resources - Exit Packages
PARIS			Digitalisation	Food Safety, H&S and Licensing
Legal Care Proceedings	Information Security Group		ICT - Website Content	
	PCC Planning Collaborative Arrangements	ICT - Material Systems		
	Grant Certification	HR/Payroll Self-service System Implementation		
		GDPR Project		
		Risk Management & BCP Review		
		Port Marine Safety Code		
		Benefits Subsidy - additional testing		

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

Value Added

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

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

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

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

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

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

Public Health

- 45 • combining audit areas and delivery to better suit customer requirements;
- the development of future years audit plans to cover new and emerging risk.

Adult Services

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

Children's Services

- supporting the organisation in relation to the future of the PARIS system within a routine audit
- Improvements to the process for obtaining pupil attendance figures in relation to the provision of school transport via the use of EMS;
- assistance in maintaining the impetus in management action plans to address previously identified risks through an annual and robust follow up exercise;

- assistance in maintaining appropriate engagement with the internal function through regular management liaison meetings;
- development of the current year's and future years audit plans to incorporate flexibility to meet changing and developing business demands and to cover existing and new or emerging risks.

Corporate Services & Operations, Commercial Services & Transformation

- ongoing support to the transformation programme, including further horizon scanning; an exercise around fees and charges cost recovery; ongoing support to various projects including Library Services; ICT Service delivery model analysis and appraisal; review of potential collaboration arrangements with Plymouth City Council for Spatial Planning; and the Sefas/Hubmail project. We have also commenced our review of governance arrangements and supporting processes in relation to both the Housing Company and Investment Committee. Our support will continue throughout 2018-19.
- additional support in relation to the external audit requirement for benefit subsidy;
- support to the ongoing GDPR project;
- ongoing support to projects, e.g. HR Self Service and FIMS upgrade;
- continued advice, guidance and challenge to the Information Security Group;
- advice and support to the development of risk management and its wider integration with business continuity and Transformation;
- the identification of new procurement issues for escalation and action;
- confirmation of Tor Bay Harbour Authority Port Marine Safety Code Compliance;
- undertaking additional reviews of the Brixham Express Ferry contract and Neighbourhood Planning.

Schools

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

Audit Coverage and performance against plan

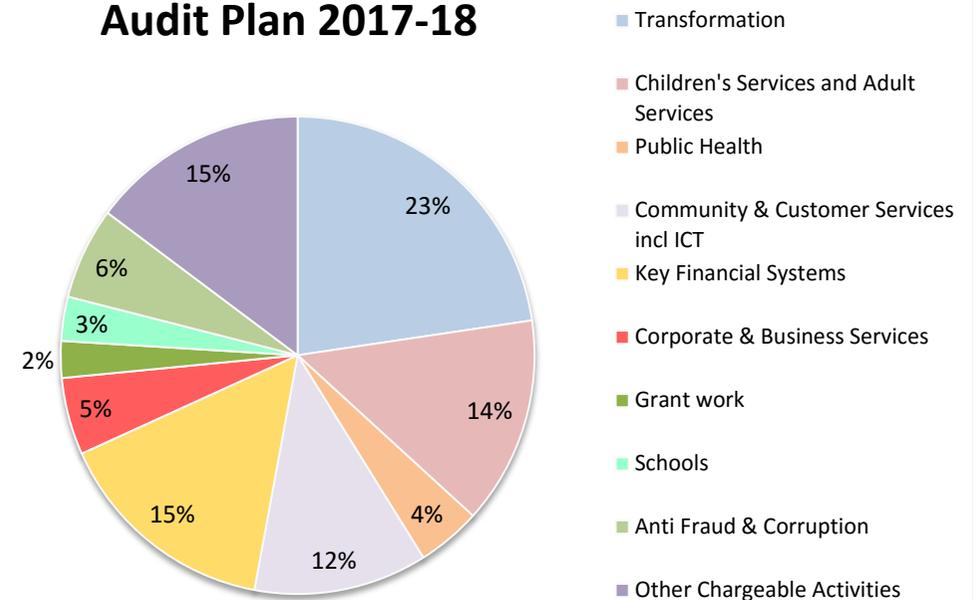
The pie charts right shows the breakdown of audit days planned by service area / type of audit support provided. The balance of work has varied slightly during the year as can be seen from comparison with the second chart, and variations have been with full agreement of the client.

Appendix 1 to this report provides a summary of the audits undertaken during 2017/18, along with our assurance opinion. Where a “high” or “good” standard of audit opinion has been provided we can confirm that, overall, sound controls are in place to mitigate exposure to risks identified; where an opinion of “improvement required” has been provided then issues were identified during the audit process that required attention. We have provided a summary of some of the key issues reported that are being addressed by management. It should be pointed out that we are content that management are appropriately addressing these issues.

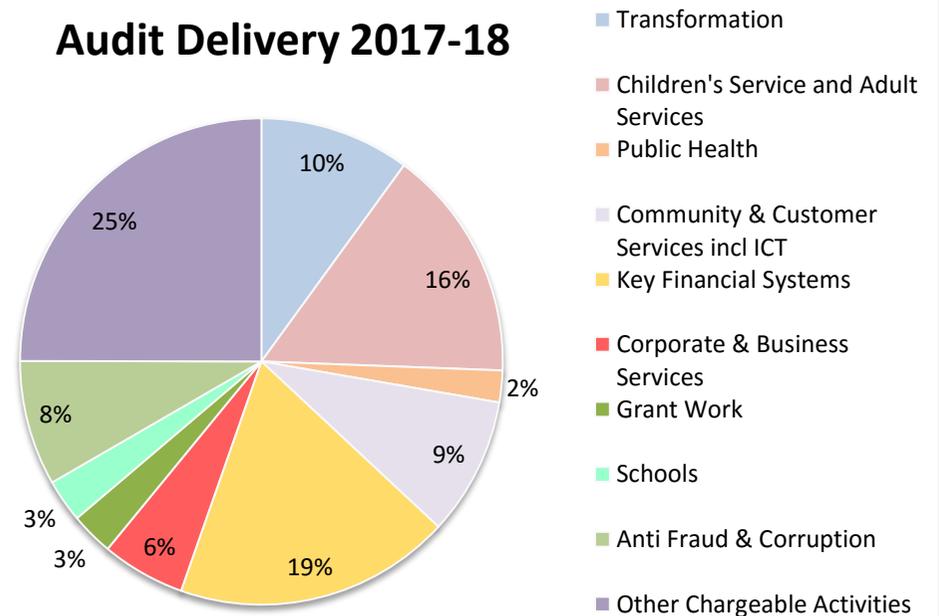
Appendix 6 shows the performance indicators for audit delivery in 2017/18 against the revised audit plan. It will be noticed that there was a small variation in the total number of audit days provided during the year. When we prepare our plans we make an educated assessment of the number of days that an audit is likely to take.

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

Audit Plan 2017-18



Audit Delivery 2017-18



Fraud Prevention and Detection

Counter-fraud arrangements are a high priority for the Council and assist in the protection of public funds and accountability. Devon Audit Partnership (DAP) have taken on a liaison role with the corporate fraud officer; the key outcomes of this role are the identification and investigation of external frauds.

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

DAP have assisted the corporate fraud officer in producing the Council Policy on Blue Badge fraud. DAP has continued to undertake an annual monitoring of staff internet use and to date found no significant concerns. This provides assurance that action has been effective and such use remains within policy. The Council's Whistleblowing Inbox is also monitored daily. Periodic fraud bulletins are also produced and published on DAP's website.

Irregularities – During the 2017/18 year, Internal Audit have carried out, or assisted in fourteen irregularity investigations. Analysis of the types of investigation and the number undertaken shows the following:-

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Issue	17/18 Number	16/17 Number
Poor Procedures	8	5
Employee Conduct	4	6
Misappropriation of Income	1	0
Financial Irregularities	1	3
IT Misuse	0	1
Tenders and Contracts	0	1

Summary details as follows:-

The irregularities have included reviewing officer conduct following allegations, reviews of historical records to clarify planning issues, reviews of payments and payroll processes / data transfer, income anomalies, email review re possible data breach, review of certain arrangements for respite care and whistleblower reviews.

Freedom of Information and Subject Access Requests:-

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

Appendix 1 – Summary of audit reports and findings for 2017/18

Risk Assessment Key

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

Direction of Travel Assurance Key

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

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Transformation			
Transformation Programme - project 'trusted advisor' role (ANA – Critical) Risk / ANA - Critical Page 48	Added Value Status: Draft	<p>Our support has included further horizon scanning, with particular focus upon potential areas for income generation, and the provision of relevant transformation information from Local Government publications providing a broader view of projects and associated activities at other Local Authorities.</p> <p>We provided support to various Transformation projects including the Libraries project, the ICT Service delivery model analysis and options appraisal, a review of the proposed arrangements for a potential Plymouth City Council / Torbay Council Spatial Planning collaborative approach, and support to the SEFAS/Hubmail project.</p> <p>We also reviewed the Transformation Governance aspects; in particular the Board Terms of Reference and provision of Governance review against a defined model. We undertook a revenue income optimisation exercise around the council's fees and charges across a three year period and provided an analysis in relation to council tax and NNDR collection rates.</p> <p>We have also commenced our review of both the Housing Company and the Investment Committee in terms of Governance and supporting process arrangements which we anticipate will continue into 2018-19. Our work within the Treasury Management Audit (see next page) included sample testing of borrowings in relation to an Investment Committee purchase.</p> <p>Given the scale and breadth of the programme and the importance of the budget driver for the organisation, our concern remains the size of the team and we have identified capacity issues in terms of their resource. However, we understand that some project drivers are being more focussed upon service resilience and capacity as part of a project rationalisation review.</p> <p>Arrangements for audit support going forward through 2018-19 have been agreed.</p>	N/A

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Material Systems and Grants			
Income Collection Risk / ANA - Medium	High Standard Status: Final	The Income Collection team continues to maintain effective procedures and systems for receiving, recording, allocating and processing income, albeit that these are heavily reliant on reconciling a number of systems, using complex, manual paper based processes. Relevant receipting practices ensure that every transaction is uniquely identifiable and effective reconciliation processes ensure that all income is accounted for accurately.	
Treasury Management Risk / ANA - Low	Good Standard Status: Final	A comprehensive Treasury Management Strategy is in place and complies with the current CIPFA Code of Practice; however we understand that due to a recent change in the investment approach, an updated Strategy, along with updated Treasury Management Practices (TMPs) will soon be approved. As in previous years, high operational standards continue to be maintained, with only minor issues being identified, though we note that some of these remain outstanding from previous years.	
FIMS System Administration Risk / ANA - Critical	Good Standard Status: Final	The control environment relating to FIMS System Administration is robust. There are comprehensive procedures and processes in place and system training is mandatory for users with transactional capability. With the exception of the system administrators, access to the system is appropriately controlled and restricted; and we continue to report the lack of full segregation of duty between the system administration and finance roles. Changes to system parameters as well as system modifications and fixes are effectively controlled, and there are appropriate business continuity arrangements in place. Routine verification processes ensure that the system is operating correctly and that the General Ledger remains properly reconciled to other FIMS modules.	
IBS* System Administration Risk / ANA – High *International Business Systems	Good Standard Status: Final	IBS System management and the related control environment are, in the main, being effectively maintained. The acknowledged lack of segregation of duty remains, as do a number of other issues including a lack of robust audit trail retention in relation to parameter changes. We have also recommended that reconciliation and balancing procedures are reviewed as there seems to be some duplication, and hence inefficiency in this area.	

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Benefits Risk / ANA - Medium	Good Standard Status: Final	<p>This year's sample testing approach has not identified many issues in terms of accuracy of processing, and there have been improvements in the application of the Risk Based Verification (RBV) framework.</p> <p>At the time of the audit, the QC process was not working effectively. The target number of accuracy checks had not been met for Q2, and we are unable to determine if the target number of checks relating to RBV is being adhered to. There were no checks being undertaken on claims that relate solely to council tax support at the time of the audit, although we have since been informed that these are now being performed; and no training had been undertaken as a result of the QC results found. We understand that this is due to the newly appointed QC officer not having been in post for a sufficient length of time to be able to establish common themes and devise a training schedule accordingly.</p> <p>There were still a number of issues outstanding from previous year, particularly in relation to self-employed earnings calculations and we recommended that these are resolved as soon as possible.</p>	
Asset Register Risk / ANA -Medium	Good Standard Status: Final	<p>Access to the asset system (RAM) is appropriately restricted to authorised users, and there are mitigating controls in place to reduce the risk of the lack of separation of duty between system admin rights and input / edit functionality. A small number of minor issues were identified in terms of the valuation process.</p> <p>The asset register is regularly and effectively reconciled to other relevant systems, including Torbay On-line Asset Database and the General Ledger.</p>	
Grants x 7 Risk / ANA: N/A	Certified Status: Complete	<p>Grants certified comprise; Bus Subsidy, Local Transport Capital Block Funding, Pothole Funding, Local Growth Fund and 3 x Troubled Families.</p> <p>A number of minor issues were identified and reported to the relevant funding body</p>	N/A
Benefit Subsidy Claim – additional 40+ testing. Risk / ANA: N/A	Added Value Status: Complete	<p>A number of minor issues were identified in relation to rent allowance income calculations, and results have been passed over to Grant Thornton.</p>	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> • General Ledger and Bank Reconciliation (ANA – Medium) • Creditors and POP (ANA – High) • Payroll (ANA – Critical) • Debtors and Corporate Debt (ANA – High) • Council Tax and National Non-Domestic Rates (ANA – Medium) 			

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
IT Audit			
Corporate Information Management Risk / ANA - Medium	Added Value Status: Final	Assurance was reported in last year's annual report; please refer to that report for details	
Website Content Management Risk / ANA - Medium	Improvements Required Status: Draft	<p>The processes around management and update of the content management system (CMS) were found to be effective with a number of recommendations being made to further strengthen the control environment and maintain security. A new EU web accessibility directive is due to come into force in September 2018 which will need consideration to ensure ongoing compliance.</p> <p>The CMS is supported by a knowledgeable and appropriately skilled team, although the level of team resource has seen a reduction in line with associated budgetary reductions. The capacity of the team to not only maintain existing levels of service requirement but to expand this to maximise income generation will require review. This would then inform the appropriateness of income targets and direction of service development.</p> <p>Maximising the use of web technology would benefit from a review at strategic level to ensure continued alignment with the Council's corporate direction of travel, and consistent support throughout the organisation to maintaining web content and maximising the potential of this type of media. There is opportunity for the Web Team to generate income.</p>	
ICT Material Systems Processes Risk / ANA - Critical	Improvements Required Status: Draft	<p>We reviewed the Council's compliance and organisational controls and found them to be generally sound in terms of security policies, Data Protection, licencing and compliance with current Public Services Network (PSN) requirements; however there are issues that must be addressed urgently in order to maintain PSN compliance going forward.</p> <p>The Council's physical and environmental controls are reasonably effective. However, there remains a potential environmental risk and a security risk to the data centre, which require further investigation.</p> <p>Whilst the Council operates some ICT change management processes, these are not consistent or robust; the associated risks have been accepted subject to the intended organisation changes.</p> <p>Business Continuity and Disaster Recovery arrangements would benefit from further strengthening. The key resilience issues are in relation to the level of IT support available to support the systems. However, the ICT service is currently subject to a review which is seeking to identify an alternative delivery method that would provide sustainability and resilience.</p>	

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Digitalisation - Transformation Risk / ANA - Client Request	Added Value Status: Draft	<p>ICT has delivered a large number of projects that enhance service delivery through the use of digital technology. It is recognised that there is further work required to fully digitise the Council's services.</p> <p>Giving citizens and service users the ability to transact effectively online with their local service providers is important however modern digital technologies offer a much broader range of 'transformational' possibilities which are being explored.</p> <p>In order to support organisational transformation, provide a resilient service and allow greater exploration and use of digital technologies, the ICT delivery model is currently under review, with potential models being investigated.</p>	N/A
General Data Protection Regulations (GDPR) Project Risk / ANA - Client Request	Added Value Status: Draft	<p>The requirements of GDPR compliance are being raised and managed through a GDPR project group, of which Audit continues to provide a QA / project assurance role. Of concern remains the issue of ensuring sufficient resource to not only maintain business as usual, but also actively manage and implement the requirements of the GDPR within the required timescales and thereafter.</p> <p>At a top level, there are some 'red and amber flag' items which are being managed through the project team, these being the Information Asset Register and the Privacy Notices; Individual's rights, data breaches and DP Impact Assessments.</p> <p>It is pleasing to note that a project has been initiated with supporting project documentation being maintained. The Council has purchased a system to aid development, formulation and ongoing maintenance of an Information Asset Register, this being a critical element of compliance. Audit will be providing operational support in relation to development of the Information Asset Register in 2018-19, as agreed with the Head of Service.</p>	N/A

The following audits have been deferred or cancelled at the request of the client:

- Service Strategy (ANA – High)*
- ICT Knowledge Management (ANA – High)*
- Service Operation (Service desk data review using IDEA) (ANA – High)*
- Service Design (ANA – Medium)*

- Shared Services and Partnership Working (ICT Systems) (ANA – Medium)*

*These audits have been replaced by two new audits, GDPR Project and Digitalisation - Transformation

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Other			
Fair Decision Making Risk / ANA - High	Good Standard Status: Final	Assurance was reported in the July 2017 report; please refer to that report for details.	
TOR2 Commissioning Risk / ANA – Critical	Improvements Required Stratus: Final	Assurance was reported in the July 2017 report; please refer to that report for details.	
Safer Communities Risk / ANA – Medium	Improvements Required Status: Final	Assurance was reported in the January 2018 report; please refer to that report for details.	
Procurement and Contracting Arrangements Risk / ANA - High	Improvements Required Status: Final	Assurance was reported in the January 2018 report; please refer to that report for details.	
Commissioning by the Council of the TDA (trading name of the Torbay Economic Development Company Ltd) – Service Level Agreement Risk / ANA - High	Improvements Required Status: Final	Assurance was reported in the January 2018 report; please refer to that report for details.	
Human Resources (HR) - Exit Packages Risk / ANA - Medium	Improvements Required Status: Final	<p>Although the majority of settlement agreements tested were found to have been effectively drafted and appropriately authorised, with the proper process having been followed, one agreement was identified where significant issues were found in terms of appropriate authorisation and completeness of content.</p> <p>The process, generally, could be improved by providing an overall methodology document for HR advisors to follow, and we have recommended that supporting documentation is held in a more central, secure location.</p> <p>In terms of the payments themselves, only a small number of minor issues were found in this area.</p>	

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Coroner Service Risk / ANA - Low	Improvements Required Status: Final	<p>Current arrangements for indirect and direct cost recording and recharging by Plymouth City Council (PCC) were found to be effective and accurate. However, there may be advantage in greater use of the case recording system in relation to direct cost recording given the increase in recharging and associated monitoring of costs following the introduction of the new arrangements.</p> <p>Whilst direct costs are checked to source documents, there is no similar checking to source for the indirect costs; such checking will become more important under the new arrangements where invoices and costs will be new and different.</p> <p>The main concern arising from our work is the risk associated with the introduction of the new Service Level Agreement (SLA) arrangements given the change in the recharge process / mechanism from the existing practices, as without effective dissemination of requirements there may be over or under recharging. In addition, the changes to arrangements may cause unforeseen budgetary pressure to either of the authorities.</p>	
Food Safety, Safety and Licensing Risk / ANA - High	Improvements Required Status: Draft	<p>The service was found to be supported by a policy and procedural framework, operated by knowledgeable staff. It is pleasing to note that the recent FSA (Food Standards Agency) Audit report commented upon staff competency. However, the FSA have reported that the current resources are not sufficient to fulfil the service plan. The sheer nature of the service, having both planned and reactive service requirements placed upon it, makes accurate resource forecasting and prioritising problematic. The level of proactive work has reduced due to resources, which may in turn be impacting the level of required reactive work.</p> <p>As seen from the level of Food Safety inspections and also identified by the FSA, there remain concerns in relation to the relatively low percentage of planned inspections achieved on lower risk premises and the increase in un-rated premises, both of which could result in a potential risk to the public. We support the need for a further resource review within the service area; however we understand that this will be undertaken following some planned short term interim measures relating to medium risk premises. We also note that the FSA premises rating is driving self-regulation, and is intended to result in more high rated premises thereby reducing the inspection frequency and consequent resource impacts on the service area.</p> <p>In addition, recommendations have been made in relation to consistent central retention of data on FLARE for all areas including Health & Safety and Licensing, and the implementation of the corporate cost recovery methodology for fee setting.</p> <p>It is pleasing to note that the Business Continuity Plans are being progressed. We understand that these have been reviewed and subject to testing and going forward these will form part of the revised Business Continuity Strategy processes, linked to the Council's critical processes and Risk Management processes.</p>	

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Port Marine Safety Code Risk / ANA – Client Request	Added Value Status: Complete	To the best of our knowledge and belief, and having carried out appropriate checks, in our opinion the Tor Bay Harbour Authority continues to be compliant with the Port Marine Safety Code. It is pleasing to note that progress has been made against the previous year's recommendations although some remain outstanding and have been re-reported.	
HR / Payroll System - new modules implementation project Risk / ANA - Critical	Added Value Status: Complete	We continue to provide support to the project as requested by the client and have provision to attend any project meetings as required. We will continue to provide support as required throughout 2018-19.	N/A
Risk Management and Business Continuity Review Risk / ANA – Client Request	Added Value Status: Complete	We have provided ongoing support to the project team through active participation at project meetings and providing advice and guidance as requested. The outcomes of the project have been a revised Business Continuity Management Strategy and supporting processes, and Risk Management Strategy. We will continue to provide support as required throughout 2018-19.	N/A
Information Security Group Risk / ANA - N/A	Added Value Status: Complete	We maintain membership of, and attendance at, the Council's Information Security Group. Our role continues to provide advice, guidance and challenge in terms of active participation within the group. Of concern is the level and nature of data breaches. The resource requirement to investigate and respond to these is significant and currently impacts upon the other operational duties of the team, significantly, the GDPR project.	N/A
FIMS Upgrade Risk / ANA - Medium	Added Value Status: Final	The upgrade has been implemented and operational since February 2018. We provided support, advice and guidance throughout the project on both project management and system controls as required. From a project perspective all relevant documentation was found to be in place and in our opinion the project was well managed and operated, with a clear governance structure and work stream leads. As is often expected with this type of upgrade, there were some issues that impacted the go/no-go status, however these issues were well documented and managed and project timescales were adjusted accordingly, to ensure the system operation was as required at implementation.	N/A
Torbay Online Asset Database (TOAD) Replacement and FM System Implementation Risk / ANA - Medium	Added Value Status: Draft	This project has encountered issues which have delayed progress, primarily, a requirement to re-tender excluding a room booking module, due to a lack of suppliers of an integrated system; and agreement to financing of the system. Outcomes of the procurement exercise have only recently been finalised with contract arrangements being effective from 1st March 2018. Consequently we have only had opportunity to comment upon the Procurement stage and can confirm that we found the process to be in line with expected practice. We anticipate our support throughout implementation stages being in 2018-19.	N/A

CORPORATE SERVICES & OPERATIONS, COMMERCIAL SERVICES & TRANSFORMATION

Audit Report			
Risk Area / Audit Entity	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Spatial Planning - Development and Planning Risk / ANA - High <div style="writing-mode: vertical-rl; transform: rotate(180deg); position: absolute; left: -40px; top: 50%; font-weight: bold;">Page 66</div>	Added Value Status: Draft	<p>In our opinion, based upon information provided, we conclude that the Council is not yet at a stage to make an informed decision on the merits of progressing a collaborative arrangement with Plymouth City Council (PCC) for Spatial Planning.</p> <p>Evidence would suggest that other potential options have not been fully examined, and objectives have yet to be defined, making it difficult to accurately establish whether this option is the most viable one. There are a number of factors within the 'due process' that require either consideration or expansion to ensure Torbay Council has a detailed evaluation. Our concern is that to date there is no clear tangible 'benefit' to Torbay Council in progressing the arrangement as it stands apart from in terms of addressing immediate service capacity needs.</p> <p>In addition, we understand that the Project is subject to some joint Project Management practices; however these appear to be driven by PCC. Whilst this has some benefits to Torbay Council in relation to the resource intensive nature of Project Management being picked up by PCC, it results in a lack of control and direction in what remains a Torbay Council project within the Transformation Programme. It is therefore vital that Torbay Council operates its own Project Management processes to ensure all relevant factors are considered, managed, delivered and measured, to maximise outcomes and potential benefits to the Council.</p>	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> • Spatial Planning - Section 106 - follow up, including Community Infrastructure Levy (ANA – Medium) • Covert Surveillance of Social Networking Sites (Client Request) • Concessionary Fares - follow up (ANA – Medium) • Printing Services and Post Room (ANA – Medium) • Sports Pitch Leases - follow up (ANA – Medium) • Neighbourhood Forums (Client Request) • Brixham Ferry (Client Request) 		The following audits have been cancelled by the client or deferred until next year: <ul style="list-style-type: none"> • Housing Services – follow up (ANA – Low) • Parking Services (ANA – High) • Commissioning and Performance Monitoring of the TDA (ANA – High) • Transport Infrastructure Highways Network Asset Valuations (ANA – High)* <p>*Replaced by new Covert Surveillance of Social Networking Sites audit</p>	

PUBLIC HEALTH

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
<p>Commissioned Services - Contracts Management and Monitoring (Drugs & Alcohol and Public Health Nursing including 0-5 Activities - Health Visitors)</p> <p><i>Note: this audit was planned as two separate audits but was completed as a single combined audit.</i></p> <p style="writing-mode: vertical-rl; transform: rotate(180deg); font-weight: bold;">Page 57</p>	<p style="text-align: center;">Good Standard</p> <p>Status: Final</p>	<p>The current Public Health Services Contract has been let in accordance with approved Council and statutory requirements. Effective working relationships with the Procurement team and Legal Services ensure that compliance is maintained.</p> <p>Contract management arrangements are effective, and supported by detailed contract service specifications, quality outcomes indicators, and a quality review meetings (QRM) process. Data provision by the provider is complete and timely linked in the main to the data requirements dictated by Public Health England, who also undertake data verification processes providing a degree of independent verification. Public health team officers ensure that the QRM process is adhered to, and performance outcomes reviewed appropriately.</p> <p>The service is currently undertaking a re-commissioning review across the three main areas. The re-commissioning work will seek to ensure that the services continue to meet existing needs, and / or develop to meet the changing needs of the Council, users and other stakeholders, as well as ensuring continued compliance with Public Procurement Regulations. However, venturing into new commissioning models does not come without risk and we have made recommendations regarding the commissioning of public health and substance misuse services.</p>	

The following audit has been cancelled by the client:

- Public Health / NHS Links (ANA – High)

ADULT SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
NRS Joint Equipment Store – follow up Risk / ANA - Low	Good Standard Status: Final	<p>Good progress has been made since the last audit was undertaken in 2015-16. Of the seventeen recommendations made in the original report, we are pleased to report that eleven have now been implemented, and five part implemented. Those issues that remain include:</p> <ul style="list-style-type: none"> • technical issues within the virtual budget monitoring spreadsheets are preventing them from being utilised this year; • a number of clients' dates of birth remain as the default, and therefore incorrect on the iRIS database; • a final decision on removing erroneous data on legacy equipment from the database is yet to be taken • the review of specials stock in terms of deciding which can be placed in the main catalogue and which should be recycled has yet to be undertaken • the review of stock management and recording stock movements at peripheral stores has not yet begun. <p>For the last two issues, the Authority is awaiting the appointment by Torbay and South Devon NHS Foundation Trust of a Lead Occupational Therapist, part of whose role it will be to undertake these reviews.</p>	
Commissioning and Performance Management (non-Integrated Care Organisation) Risk / ANA – High	Good Standard Status: Final	<p>Commissioning needs are changing due to continuing budgetary pressures; we found good liaison between Adult Services and the Procurement team ensuring ongoing compliance with regulations; the initial stage of reviewing future need has begun.</p> <p>Contractual arrangements in place for non-ICO services are supported in the main by detailed and robust contract specifications including performance management requirements.</p> <p>Performance is subject to monitoring arrangements by commissioning officers, although we did identify the need to consistently record this monitoring on a quarterly basis in line with contract requirements. We also noted the intention to formalise regular performance reporting to senior management and the Social Care Programme Board. Other recommendations have been made to address specific contract issues, but do not suggest control weaknesses.</p> <p>Payments for services are accurate and timely, and where necessary reviewed and adjusted to match the Council's changing needs, with appropriate supporting contract variation approval.</p>	

The following audit is currently in progress:

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

CHILDREN'S SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Business Processes / Workforce Strategy Risk / ANA: High	Good Standard Status: Final	Assurance was reported in the July 2017 report; please refer to that report for details.	
Torbay Safeguarding Children Board (TSCB) Risk / ANA: Critical, Ofsted	Improvements Required Status: Final	Assurance was reported in the July 2017 report; please refer to that report for details.	
Looked After Children - Referrals Risk / ANA: Medium, Ofsted	Improvements Required Status: Final	Assurance was reported in the July 2017 report; please refer to that report for details.	
School Transport Provision Risk / ANA: High	Good Standard Status: Final	<p>We found the processes and procedures in place regarding School Transport to be effective and well operated. There were a small number of areas where controls can be further strengthened and we have made recommendations to support this. As outlined below, we are pleased to have supported the School Transport team in improving efficiency of the process for obtaining pupil attendance figures.</p> <p>Our findings confirmed that regulatory requirements are being met, with opportunity for comparative benchmarking to be established, which would provide potential for identifying good practice. Performance in relation to service take up is monitored and reported, with remediation plans in place.</p> <p>We found that applications and appeals had been assessed / determined in line with Council policy and statutory requirements; although in a small number of cases supporting evidence in relation to applications requires improvement.</p> <p>In our opinion, the expenditure incurred is deemed to be appropriate and accurate.</p>	
Schools' Forum / use of DSG Risk / ANA: Medium	Improvements Required Status: Final	There are a number of processes in operation which align to expected practice and associated guidelines. Forum meetings are reasonably well attended by the educational community and the Local Authority (LA), with a good level of information provided by the LA to forum members to allow preparatory review, scrutiny and challenge. We identified opportunity for wider engagement from the education community via their representatives feeding into the meetings. Challenge and associated decision making is not appropriately recorded and is itself at risk of subsequent challenge and potential invalidation.	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
		<p>As required by associated guidance, forum documentation is available publicly on the Torbay website; however the information was very difficult to locate and therefore not easily accessible. In our opinion, it would benefit from a more structured dedicated communications provision that is well signposted so to be visible to the public.</p> <p>Although budget information provided to the forum by the LA is comprehensive, it is in effect short term and does not currently provide a means for long term forecasting and planning. Ordinarily a long term approach would be recommended to provide a more strategic and less reactive approach to budget pressures. However, we understand that ongoing changes in policy and funding by the DfE, and lack of detail provided on the new schools funding formula, make implementation of this type of approach unrealistic. Whilst the forum challenges budget positions, our opinion was that the timeliness of remediating action in relation to a significant increase in overspend was delayed, however we do recognise that it was dealt with given the constraints outlined above</p>	
<p>PARIS - Case Recording / Data Quality / Business Use</p> <p>Risk / ANA: Critical, Ofsted</p>	<p>Improvements Required</p> <p>Status: Final</p>	<p>There have been a number of practices put in place following the last Ofsted visit, in particular the performance framework including a Quality Assurance (QA) process; however, our review of the reports and the level of outstanding items would suggest that this is not yet fully embedded. The system itself appears complex in terms of the background database structure and associated data fields, and also the system functionality has no formal process workflow to enforce staged, accurate and complete data input. As such our concern is that data completeness and accuracy cannot be fully assured.</p> <p>Logical system access controls are reasonably well managed, although the user leaver process would benefit from enhancement to provide a more robust approach. From a business continuity perspective, the system data is subject to regular back up; however, a service business continuity plan was not evident; a lack of which increases the risk of the service areas ability to operate in the event of an issue requiring BCP invocation occurring.</p> <p>There may be a need to consider whether Paris is an appropriate system for use within Children's Services. We understand that Torbay Council is one of a very small number of council's in the UK that use Paris for Children's Services; that in itself raises question as to the effectiveness of the system for this purpose and the priority with the Supplier. The pending strategic organisation changes within the Service area also impact the potential in relation to continued use of the system in relation to integration issues both from a system and back office processing perspective.</p> <p>The lack of adequate engagement, communication and provision of supporting data regarding the use of Dragon Speak, PDA technology and mobile devices made formulation of a robust assurance opinion in this area of the service problematic. This has therefore resulted in a lack of audit assurance and associated recommendation in this regard.</p>	

CHILDREN'S SERVICES

Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Placement Activity Risk / ANA: Medium, Ofsted	Good Standard Status: Draft	<p>Sample testing found operational practices to be effective.</p> <p>The placement activity control framework ensures that appropriate and effective placements are provided for children who need them, within a robust support network; whilst also ensuring that accurate and timely payments are made to related care providers.</p> <p>We identified some areas where operational practices can be enhanced and the control environment strengthened. These were primarily in relation to the need for consistent record retention in a small number of cases and the nature of placement activity that is subject to recording, monitoring and reporting. The service would also benefit from an update to, and test of, the Business Continuity Plan to provide them with assurance that it would be fit for purpose to maintain the service at an appropriate level if required.</p> <p>We would also question the organisations decision that the Placement Team are not required to undertake DBS checks. As officers have access to personal and sensitive information, the current decision should be challenged.</p>	 *
Legal Care Proceedings Risk / ANA: Medium	Added Value Status: Draft	<p>Whilst we have not conducted a full audit, we have held discussions with key officers in both Children's Services and Legal Services, and have provided some initial feedback in relation to areas that may benefit from improvement. This has been devised based upon officer input and suggestions and our knowledge of practices at the two other authorities and comprises:</p> <ul style="list-style-type: none"> • Implementation of the Legal Care Proceedings Tracker • Better joint working with Legal Services, particularly in relation to data security • Improved consistency of record keeping and report provision on PARIS • Consideration of best practice identified at other authorities <p>Further audit work is planned for in the 2018/19 year.</p>	N/A*
Grants x 3 Risk / ANA: N/A	Certified Status: Complete	Grants certified comprise; Troubled Families first, second and third claims.	N/A
The following audits are currently in progress: <ul style="list-style-type: none"> • Children's Services Medium Term Financial Strategy / Improvement Plan (ANA – High) • Education Services ROI CIPFA Return (Client Request) • Contracted Services (Information, Advice, Guidance) (ANA – Medium) • Section 17 Payments (ANA – Medium) 		The following audits have been cancelled by the client or deferred until next year: <ul style="list-style-type: none"> • Adoption (ANA – Medium) • Early Help Strategy (ANA – Medium) • Early Years / Children's Centre Contract (ANA – Medium)** <p>**Replaced by new Education Services ROI CIPFA Return audit</p>	

CHILDREN'S SERVICES			
Risk Area / Audit Entity	Audit Report		
	Assurance opinion	Residual Risk / Audit Comment	Direction of Travel Assurance
Schools Financial Value Standards (SFVS)	Good Standard	SFVS Dedicated Schools Grant Chief Finance Office assurance statement for 2016/17 was submitted to the Department for Education in May 2017.	
Maintained Schools audit programme	Good Standard	The overall opinion for the routine school audit visits has been maintained as 'good standard' (refer to summary data below). The provision of internal audit's performance data provides a greater focus on schools causing concern in the wider control environment.	
Maintained Schools Summary Data			Assurance Opinion
<p>The key matters arising from the audits are:</p> <ul style="list-style-type: none"> All of the necessary governance arrangements and information being published in a readily accessible format of the school website; Maintenance of the Single Central Record not always compliant with 'Keeping Children Safe in Education'; School inventory records not being fully comprehensive with annual checks taking place, being signed and certified correctly as well as the appropriate asset information being recorded in the record. 			Good Standard

Appendix 2 - Professional Standards and Customer Service

Conformance with Public Sector Internal Audit Standards (PSIAS)

Conformance - Devon Audit Partnership conforms to the requirements of the PSIAS for its internal audit activity. The purpose, authority and responsibility of the internal audit activity is defined in our internal audit charter, consistent with the *Definition of Internal Auditing*, the *Code of Ethics* and the *Standards*. Our internal audit charter was approved by senior management and the Audit Committee in March 2017. This is supported through DAP self-assessment of conformance with Public Sector Internal Audit Standards & Local Government Application note.

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

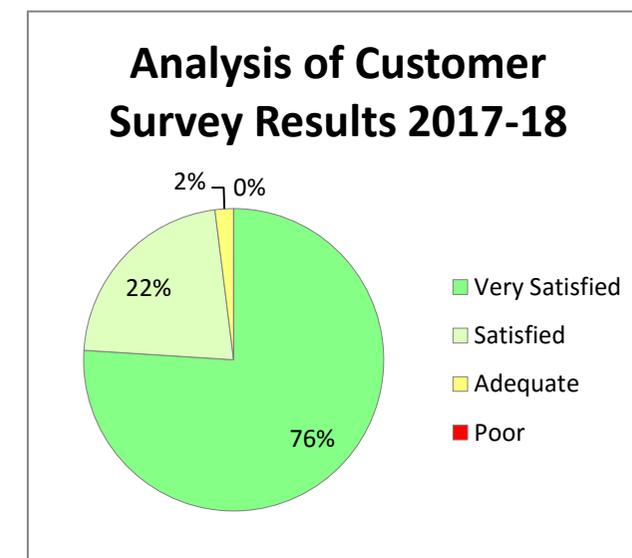
Improvement Programme – DAP maintains a rolling development plan of improvements to the service and customers. All recommendations of the external assessment of PSIAS and quality assurance were included in this development plan and have been completed. This will be further embedded with revision of our internal quality process through peer review. Our development plan is regularly updated and a status report was reported to the Management Board in October 2016.

Performance Indicators

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

Customer Service Excellence

In June 2017, DAP was successful in re-accreditation by G4S Assessment Services of the CSE. We continue to issue client survey forms with our final reports and the results of the surveys returned are, although low in number, very good and again are very positive. The overall result is very pleasing, with near 98% being "satisfied" or better across our services, see appendix 7. It is very pleasing to report that our clients continue to rate the overall usefulness of the audit and the helpfulness of our auditors highly.



Appendix 3 - Audit Authority



Appendix 4 - Annual Governance Framework Assurance

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

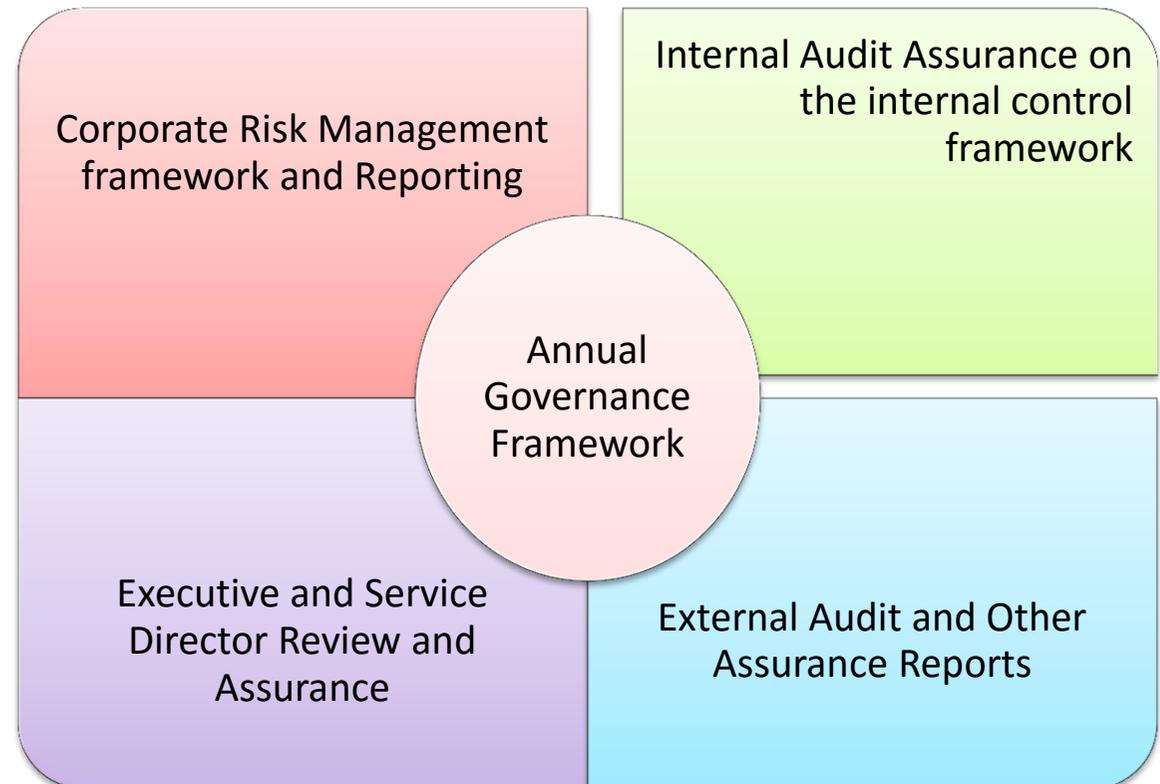
The Annual Governance Statement provides assurance that

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

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

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

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



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

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

Appendix 5 - Basis for Opinion

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

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

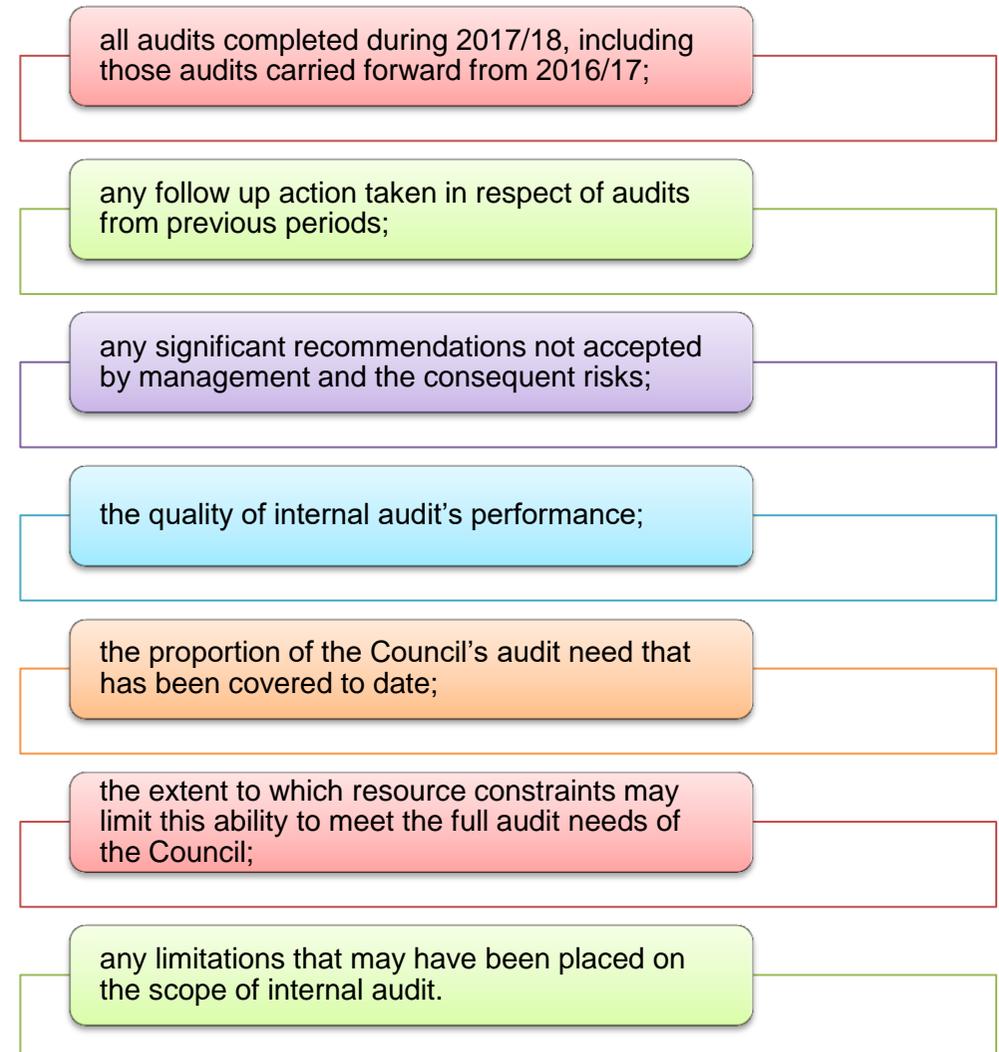
- a statement on the effectiveness of the system of internal control in meeting the Council's objectives;
- a comparison of internal audit activity during the year with that planned;
- a summary of the results of audit activity and;
- a summary of significant fraud and irregularity investigations carried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

The extent to which our work has been affected by changes to audit plans is not been notable and any changes are shown in Appendix 1. As a result of earlier reporting this year some of our work remains ongoing and will be completed within quarter one of 2018-19.

In previous years, other service priorities have impacted audit delivery in Children's Services and Public Health, and this continues to impact our Assurance Opinion for these areas.

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

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



Appendix 6 – Performance Indicators

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

Local Performance Indicator (LPI)	2015/16	2015/16	2016/17	2016/17	2017/18	2017/18
	Target	Actual	Target	Actual	Target	Actual
Percentage of Audit plan Commenced (Inc. Schools)	100%	100%	100%	99%	100%	100%
Percentage of Audit plan Completed (Inc. Schools)	93%	97%	93%	96%	93%	87%
Actual Audit Days as percentage of planned (Inc. Schools)	95%	101%	95%	113%	95%	96%
Percentage of fundamental / material systems reviewed annually	100%	100%	100%	100%	100%	100%
Percentage of chargeable time	65%	69%	65%	70%	65%	71%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%	99%	90%	98%	90%	98%
Draft Reports produced within target number of days (currently 15 days)	90%	87%	90%	85%	90%	91%
Final reports produced within target number of days (currently 10 days)	90%	94%	90%	100%	90%	97%
Average level of sickness absence (DAP as a whole)	2%	2%	2%	3.2%	2%	4%*
Percentage of staff turnover (DAP as a whole)	5%	5%	5%	21%	5%	11% **
Out-turn within budget	Yes	Yes	Yes	Yes	Yes	Yes

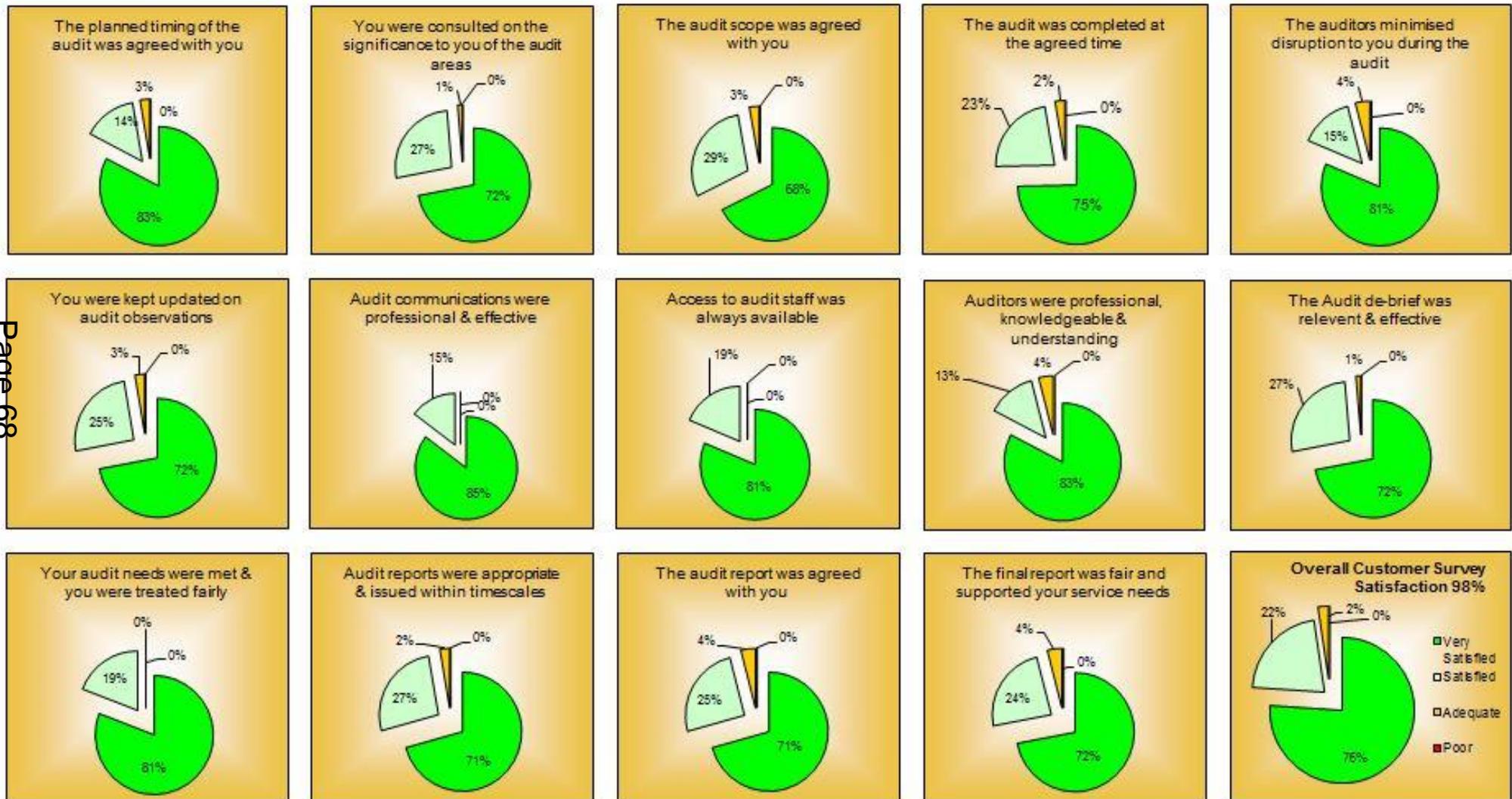
* Sickness relates to DAP overall

** Staff turnover relates to 1 starter and 2 leavers

Overall, performance against the indicators has generally been maintained; the reduction in the percentage of audit plan completion is due to the earlier reporting to the Senior Leadership Team and Audit Committee. It is pleasing to note that draft reports are now usually issued in line with performance indicator targets.

Appendix 7 - Customer Service Excellence

Customer Survey Results April 2017 – March 2018



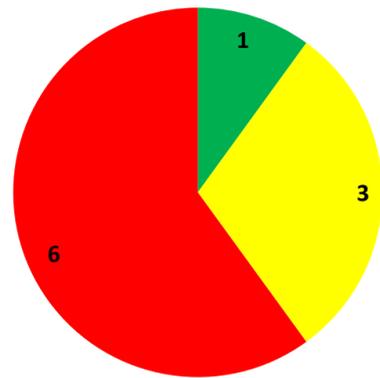
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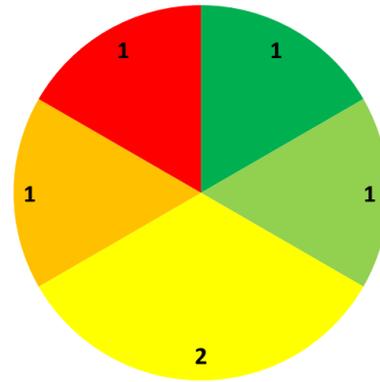
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Devon Audit Partnership	Confidentiality and Disclosure Clause
<p>The Devon Audit Partnership has been formed under a joint committee arrangement. We aim to be recognised as a high quality internal audit service in the public sector. We work with our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

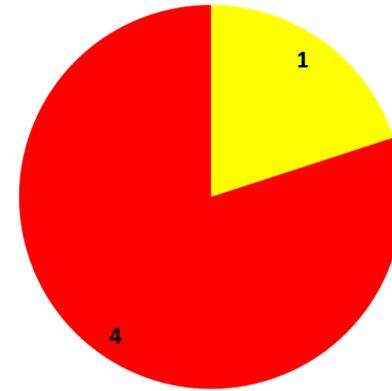
Corporate Performance Report Q4 2017/18



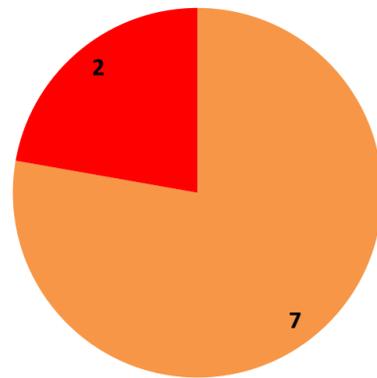
Attractive and Safe Pls (10)



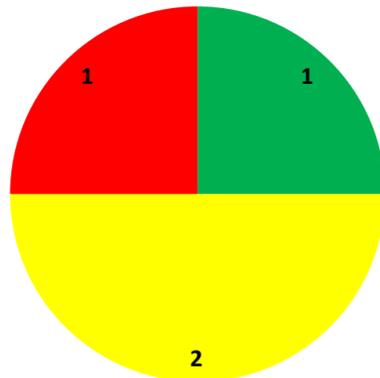
Promoting Healthy Lifestyles Pls (6)



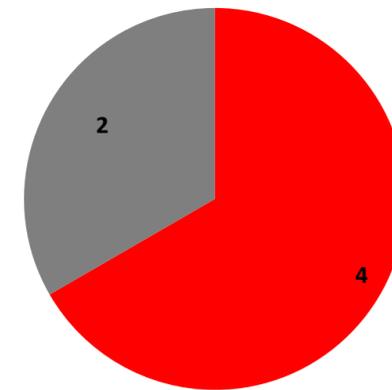
Prosperous Torbay Pls (5)



Protecting all children and giving them the best start in life Pls (9)



Protecting Vulnerable Adults Pls (4)



Running an Efficient Council Pls (6)

Key to Performance Status:



An Attractive and Safe Place

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Last period value
ASPI00 a	Numbers on the housing waiting list by Band A.	It's better to be low	Well Above Target	Band A 4	Band A 2	5	3	5	3	3
ASPI00 b	Numbers on the housing waiting list by Band B.	It's better to be low	Well Below Target	Band B 340	Band B 300	319	205	223	242	242
ASPI01	Average number sleeping rough (Local Data)	It's better to be low	Well Above Target	22	20	23	22	32	37	37

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Cumulative to date
ASPI02	Numbers in Temporary accommodation	It's better to be low	Well Above Target	554	420	126	156	132	123	537
ASPI04	Total number of placements of 16-17 year olds in emergency temporary accommodation	It's better to be low	On Target	50	41	20	7	9	7	43
ASPI05	Domestic violence incidents	It's better to be low	Well Above Target	3,020	3,020	889	982	818	852	3,541
ASPI06	MARAC Referrals	It's better to be low	On Target	344	344	85	97	87	83	352
ASPI07	MARAC Repeat Referrals	It's better to be low	Well Above Target	153	153	49	61	48	29	187

Code	Title	Polarity	Status	Prev Year End	England Value	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Last period value
NI191	Residual household waste per household	It's better to be low	On Target	129kg	120kg	132	137	124	124	124
NI192	Percentage of household waste sent for reuse, recycling and composting (LAA)	It's better to be high	Well Below Target	42.61%	50.00%	44.80%	44.01%	43.26%	42.44%	42.44%

Promoting healthy lifestyles

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

Code	Title	Polarity	Status	Prev Year End	England Value		Last period value
PHOF2.0 6iHI	Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)	It's better to be low	Above Target	24.2%	22.6%	2016/17	24.3%
PHOF2.1 5iHI	Successful completion of drug treatment – opiate users	It's better to be high	Well Above Target	5.9%	6.7%	2016	8.4%
PHOF2.1 3iHI	Percentage of physically active adults	It's better to be high	On Target	55.5%	66.0%	2016/17	67.1%
PHOF2.1 3iHI	Percentage of physically inactive adults	It's better to be low	Below Target	24.3%	22.2%	2016/17	20.8%
PHOF2.1 2HI	Excess weight in adults - Percentage of adults classified as overweight or obese	It's better to be low	On Target	68.1%	61.3%	2015/16	61.2%
PHOF2.0 3HI	Smoking status at the time of delivery	It's better to be low	Well Above Target	15.0%	10.7%	2016/17	15.2%

Prosperous Torbay

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

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Last period value
PTPI02	Gross rateable value of Business Rates (NNDR)	It's better to be high	On Target	£98,335,134	£94,198,940	£92,749,475	£93,045,830	£92,880,115	£92,989,205	£92,989,205

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Last period value
PTPI03	Out of Work Benefits Claimant Count	It's better to be low	Well Above Target	2.2%	2.1%	2.2%	2.1%	2.0%	1.9%	1.8%	1.8%	1.9%	2.0%	2.1%	2.3%	2.4%	2.4%	2.4%

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

Protecting All Children and Giving Them the Best Start in Life

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

Code	Title	Polarity	Status	Average Monthly for 16/17 Year	Anticipated Performance Level	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Average for year
4	Number of Social Care Referrals	Its better to be low	Above expected levels	139	135 per month or 1,620 per year	111	183	215	180	137	122	112	161	105	162	143	199	153
Code	Title	Polarity	Status	Average Monthly for 16/17 Year	Anticipated Performance Level	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Last period value
1	Number of Early help referrals received in month	In line with our service expectations	Below expected levels	101	100 per month (1200)	50	88	57	66	56	60	68	84	36	53	51	48	48
11	% of children with an Initial Child Protection Conference held within 15 days from strategy meetings	Its better to be high	Below expected levels	91%	100.0%	91%	78%	67%	63%	63%	57%	73%	53%	68%	82%	68%	42%	42%
12	Number of CP plans at month end by Category	In line with benchmarks	Above expected levels	158	140	231	226	236	234	248	247	220	198	174	159	144	146	146
	Timeliness of Single Assessments - completed in month	Its better to be high	Below expected levels	69%	82%	66.3%	72.2%	66.7%	72.2%	54.3%	55.9%	63.8%	51.6%	78.0%	79.5%	59.2%	73.5%	73.5%
16	% CLA cases reviewed within timescales during the month	Its better to be high	Below expected levels	95.0%	100%	99.2%	98.1%	94.9%	94.8%	94.8%	94.4%	95.9%	96.6%	97.1%	96.1%	96.2%	95.3%	95.3%

Code	Title	Polarity	Status	As at 2016/17 Year End	Anticipated Performance Level	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Last period value
12	Children on CIN plans visited within 30 working days	Its better to be high	Below expected levels	77.8%	90%	69.9%	67.9%	68.9%	70.8%	71.0%	69.6%	85.6%	77.3%	73.3%	79.5%	80.4%	71.1%	71.1%

18	Number of Children Looked After	In line with benchmarks	Well above expected levels	281	250	284	290	292	290	286	279	277	287	291	300	308	323	323

Code	Title	Polarity	Status	As at 2016/17 Year End	Quarter Target	Quarter 1 2017/18	Quarter 2 2017/18	Quarter 3 2017/18	Quarter 4 2017/18	Last period value
17	Social Work Staffing levels – vacancies	Its better to be low	Above expected levels	28.0%	18%	22.8%	21.9%	19.7%	22.4%	22.4%

Protecting Vulnerable Adults

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Last period value
LI404	No. of permanent care home placements	It's better to be low	On Target	642	617	634	629	619	634	637	638	632	637	634	629	608	604	604 (Draft figs TBC)
NI135	Carers receiving needs assessment or review & a specific carer's service, or advice & infor (LAA)	It's better to be high	On Target	38%	43%	4%	9%	17%	21%	25%	31%	34%	34%	36%	38%	41%	42%	42% (Draft figs TBC)
TCT14b	Safeguarding Adults - % repeat SG referrals in last 12 months	It's better to be low	Well Below Target	7.0%	8.0%	6.0%	3.0%	10.0%	7.5%	7.5%	7.0%	7.6%	6.9%	6.6%	5.9%	6.0%	7.1%	7.1% (Draft figs TBC)
BCF-04a	Delayed transfers of care from hospital (days)	It's better to be low	Well Above Target	2106	1,859	210	377	612	821	1,164	1,569	1,879	2,160	2,450	2,723	2,932	N/A	2,932 (Draft figs TBC)

Running an Efficient Council

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Cumulative to date
RECPI01	Agency Staff Cost (excluding schools)	It's better to be low	Well Above Target	£1,661,261	£119,600	£80,541	£114,935	£210,016	£194,427	£180,279	£150,326	£240,142	£200,427	£158,149	£266,134	£171,432	£516,907	£2,483,714
Adults £0k, Children's £484.1k, Public Health £0k, Corporate Services & Operations £19.2k and Commercial Services & Transformation																		

Code	Title	Polarity	Status	Prev Year End	Annual Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Last period value
RECPI02	Variance Against Revenue Budget	It's better to be low	Well Above Target	£1,701,000	£0	£0	£0	£1,365,000	£821,000	£1,700,000	£2,416,000	£1,900,000	£2,600,000	£2,548,000	£2,516,000	£2,870,000	£1,876,000	£1,876,000

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 1 2017/18			Quarter 2 2017/18			Quarter 3 2017/18			Quarter 4 2017/18			Last period value
RECPI05	Stage 1 complaints dealt with on time	It's better to be high	Well Below Target	83%	90%	84%			54%			63%			54%			54%

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Cumulative to Date
RECPI06	Number of stage 1 complaints logged	N/A	(monitoring only)	472	N/A	27	31	47	38	38	42	28	26	13	42	28	35	395

RECPI08	Number of stage 1 complaints logged per 1,000 population	N/A	(monitoring only)	3.5	N/A	0.2	0.2	0.4	0.3	0.3	0.3	0.2	0.2	0.1	0.3	0.2	0.3	3.0
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Code	Title	Polarity	Status	Prev Year End	Monthly Target	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Cumulative to Date
RECPI07	Number of Data breaches	It's better to be low	Well Above Target	34	25	5	8	14	16	16	21	24	31	36	42	42	44	44



Mr M Phillips
Head of Finance
Torbay Council
Castle Circus
Torquay
TQ1 1DR

Grant Thornton UK LLP
2 Glass Wharf
Bristol
BS2 0EL

T 44 (0)1173057600

www.grant-thornton.co.uk

17 April 2018

Dear Martin

Planned audit fee for 2018/19

The Local Audit and Accountability Act 2014 (the Act) provides the framework for local public audit. Public Sector Audit Appointments Ltd (PSAA) has been specified as an appointing person under the Act and the Local Authority (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of opted- in local government bodies from 2018/19.

For opted- in bodies PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 all grant work now falls outside the PSAA contract, as PSAA no longer has the power to make appointments for assurance on grant claims and returns. Any assurance engagements will therefore be subject to separate engagements agreed between the grant-paying body, the Council and ourselves and separate fees agreed with the Council.

Scale fee

PSAA published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. Individual scale fees have been reduced by 23 percent from the fees applicable for 2017/18. Further details are set out on the [PSAA website](#). The Council's scale fee for 2018/19 has been set by PSAA at £78,581.

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timeframes'.

The audit planning process for 2018/19, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

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Scope of the audit fee

There are no changes to the overall work programme for audits of local government audited bodies for 2018/19. Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors. Audits of the accounts for 2018/19 will be undertaken under this Code. Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

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

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

Value for Money conclusion

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

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

The NAO guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2018	19,645.25
December 2018	19,645.25
March 2019	19,645.25
June 2019	19,645.25
Total	78,581.00

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November to February. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion along with our work on the whole of government accounts return will be completed in July 2019.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November to January- planning January to February - interim	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to July	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	January to July	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	September	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

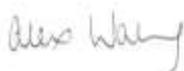
Additional work

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

Quality assurance

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

Yours sincerely



Alex Walling
Engagement Lead

For Grant Thornton UK LLP

Audit Progress Report and Sector Update

Torbay Council
Year ending 31 March 2018
Page 84
22 May 2018



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Introduction



Alex Walling

Engagement Lead

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

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

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

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

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

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Mark Bartlett

Engagement Manager

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

Progress at 10 May 2018

Financial Statements Audit

We carried out the following interim audit fieldwork in January 2018:

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

The findings from our interim audit were reported to your March meeting.

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

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

Value for Money

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

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

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

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

We made our initial risk assessment to determine our approach in January 2017 and reported this to you in our Audit Plan.

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

Other areas

Certification of claims and returns

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

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

Meetings

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

Events

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

Audit Deliverables

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

Sector Update

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

Page 85
Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

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

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

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

Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO first looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



CIPFA publication - Treasury Management Code

CIPFA have published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.



Links

Grant Thornton website links

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

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

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2017-edition-online>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>



Meeting: Audit Committee

Date: 22 May 2018

Wards Affected: All

Report Title: Overview of Whistleblowing referrals and Fraud Investigations

Is the decision a key decision? No

When does the decision need to be implemented? n/a

Supporting Officer Contact Details: Anne-Marie Bond, Director of Corporate Services and Operations, 01803 207160, anne-marie.bond@torbay.gov.uk

1. Introduction

1.1 Following previous debate within Audit Committee, the Chairman of Audit Committee and the Director of Corporate Services and Operations have agreed that at each Audit Committee meeting a report will be provided, detailing;

1. A high level summary of any Whistleblowing complaints that are being investigated,
2. A high level summary of any current Human Resource investigations whereby alleged fraud by staff or financial irregularities are being investigated.

1.2 Exempt Appendix 1, sets out this overview.

2. Reason for Proposal

2.1 To provide a greater level of detail to Audit Committee.

3. Recommendation (s) / Proposed Decision

3.1 That Audit Committee note the contents of Exempt Appendix 1, and give consideration to any further information or action that they require.

Document is Restricted