



Monday, 18 March 2019

## **AUDIT COMMITTEE**

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

**Tuesday, 26 March 2019**

commencing at **2.00 pm**

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

### **Members of the Committee**

Councillor Tyerman (Chairman)

Councillor Barnby  
Councillor O'Dwyer  
Councillor Long

Councillor Manning  
Councillor Morey

---

**A prosperous and healthy Torbay**

---

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

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

Email: [governance.support@torbay.gov.uk](mailto:governance.support@torbay.gov.uk)

[www.torbay.gov.uk](http://www.torbay.gov.uk)

# AUDIT COMMITTEE AGENDA

1. **Apologies**  
To receive any apologies for absence, including notifications of any changes to the membership of the Committee.
2. **Minutes** (Pages 4 - 6)  
To confirm as a correct record the Minutes of the meeting of the Audit Committee held on 22 January 2019.
3. **Declarations of interests**
  - (a) To receive declarations of non pecuniary interests in respect of items on this agenda  
**For reference:** Having declared their non pecuniary interest members may remain in the meeting and speak and, vote on the matter in question. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.
  - (b) To receive declarations of disclosable pecuniary interests in respect of items on this agenda  
**For reference:** Where a Member has a disclosable pecuniary interest he/she must leave the meeting during consideration of the item. However, the Member may remain in the meeting to make representations, answer questions or give evidence if the public have a right to do so, but having done so the Member must then immediately leave the meeting, may not vote and must not improperly seek to influence the outcome of the matter. A completed disclosure of interests form should be returned to the Clerk before the conclusion of the meeting.  
  
(**Please Note:** If Members and Officers wish to seek advice on any potential interests they may have, they should contact Governance Support or Legal Services prior to the meeting.)
4. **Urgent Items**  
To consider any other items that the Chairman decides are urgent.
5. **Internal Audit Strategy** (Pages 7 - 12)  
To note the submitted report.
6. **Internal Audit Charter** (Pages 13 - 20)  
To note the submitted report.
7. **Internal Audit Plan 2019-20** (Pages 21 - 37)  
To consider a report that sets out the Internal Audit Plan for 2019-20.
8. **Corporate Performance Report Quarter 3** (Pages 38 - 49)  
To note the report on the above.

- 9. LGA Finance Peer Challenge Action Plan - Progress Update** (Pages 50 - 53)  
To note the progress made against the LGA Finance Peer Challenge Action Plan.
- 10. External Audit Plan - Year Ending 31 March 2019** (Pages 54 - 67)  
To consider the Council's External Auditors Audit Plan.
- 11. Audit Progress Report and Sector Update** (Pages 68 - 82)  
To note the report on the above.



## Minutes of the Audit Committee

22 January 2019

-: Present :-

Councillor Tyerman (Chairman)

Councillors Barnby, Bent, O'Dwyer and Long

---

### **159. Apologies**

An apology for absence was received from Councillor Morey.

### **160. Minutes**

The Minutes of the meeting of the Audit Committee held on 25 September 2018 were confirmed as a correct record and signed by the Chairman.

### **161. Treasury Management Strategy 2019/20 (incorporating the Annual Investment Strategy 2019/20 and the Minimum Revenue Provision Policy 2019/20)**

Members considered the Treasury Management Strategy which aims to support the provision of all Council services by the management of the Council's cash flow, debt and investment operations in 2019/20 and effectively control the associated risk and the pursuit of optimum performance consistent with those risks. The Chief Finance Officer informed Members that the Treasury Management Strategy is a requirement of the CIPFA Code of Practice on Treasury Management and has been fully updated in accordance with the provisions in the new edition of the code released in 2017 as such the recommended policy statement and practices were also included in the strategy.

Members provided feedback and sought greater clarification regarding minimum asset life and explanatory notes in respect of the tables set out in section 2 prior to presentation to the Adjourned Council Meeting on 7 February.

### **162. Internal Audit Report - Follow Up Report on Areas Requiring Improvement**

Members considered and noted a report that provided an update on progress in areas identified as 'improvement required' as highlighted in the Annual Internal Audit report which was presented to the Audit Committee on 22 May 2018. The Head of the Devon Audit Partnership informed Members that progress in some areas had meant the previously identified risks were being minimised or mitigated where appropriate. However, the lack of progress made in the majority of action plans meant a number of the risks previously identified and highlighted to management continue to remain.

Whilst Members recognised that officer capacity was affecting the direction of travel, Members sought clarification as to what rate of progress was reasonable with a clear steer from the Senior Leadership Team (SLT) about which areas listed as 'improvement required' will be prioritised. Members welcomed the suggestion that future reports contain commentary from SLT giving specific details of whether the issue is being prioritised or the reasons for accepting the risk of not delivering improvements at pace.

### **163. Internal Audit - Half Year Audit Report**

Members considered and noted the Internal Audit – Half Year Audit Report. Members were advised that based on work performed to date during 2018/19 and experience from previous years, the Head of Internal Audit's opinion is one of 'Limited Assurance' on the adequacy and effectiveness of much of the Council's internal control framework. The exception to this being the Corporate Directorate where the Head of Internal Audit was able to provide 'Significant Assurance'. In the case of some Directorates assurance was limited by the level of audit coverage, for example the audit coverage for Adults is mainly provided externally.

Members challenged whether SLT were satisfied with an opinion of 'Limited Assurance'. The Chief Executive expressed disappointment with the outcome and advised Members that SLT had requested Internal Audit to examine the areas included in the Internal Audit Report 2018/19 such as Neighbourhood Forums and Brixham Ferry. He was reassured that the culture of the authority was appropriate as officers were highlighting areas of concern with Internal Audit and not hiding issues but actively seeking analysis where things have gone wrong such as contract management.

### **164. Certification work for Torbay Council for year ended 31 March 2018**

Members noted the report that set out the certification work undertaken on the Housing Benefit subsidy claim for the 2017/18 financial year which related to expenditure of £61.1 million.

Mark Bartlett, Engagement Manager for Grant Thornton, informed Members that errors had been found in respect of claimant income and rental amount resulting in an extrapolated error of £265,307 and £6,400 respectively. As a result of the errors, the claim was amended and qualified with the findings reported to the Department for Work and Pensions on 26 November 2018.

Members requested a report be presented to the Audit Committee on 26 March 2019 which provides details of how the overpayment/underpayments occurred, the effect such actions may have had on the claimants and what measures have been put in place to ensure the errors are corrected and not continuing.

**165. Audit Progress Report and Sector Update**

The Committee noted a report that provided an overview of the planned scope and timing of the statutory audit of the Council and details of sector publications that may be of interest to Audit Committee.

**166. Corporate Performance Report: Quarter 2 2018/19**

Members noted the Quarter 2 Corporate Performance Report. The Committee focused particular attention on:

- numbers on the housing waiting list by Band A;
- numbers in temporary accommodation;
- carers receiving needs assessment or review and a specific carer's service, or advice and information; and
- proportion of adults with a learning disability in paid employment.

The Assistant Director of Community Safety and the Deputy Director of Adult Services, provided an update on the recovery plan and responded to Members questions.

---

Chairman/woman

## TORBAY COUNCIL

### INTERNAL AUDIT STRATEGY (March 2019)

#### 1 INTRODUCTION

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

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

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

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

The PSIAS require the HoDAP to produce an Audit Charter setting out audits purpose, authority and responsibility. We deliver this through our Audit Strategy which:

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

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

## **2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES**

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

To achieve this primary objective, the HoDAP aims to fulfil the statutory responsibilities for Internal Audit by:

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

## **3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK**

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

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

The HoDAP will report progress against the annual audit plan and any emerging issues and risks to the Audit Committee.

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

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

- (a) include an opinion on the overall adequacy and effectiveness of the Council's governance, risk and control framework;
- (b) disclose any qualifications to that opinion, together with the reasons for the qualification;
- (c) present a summary of the audit work from which the opinion is derived, including reliance placed on work by other assurance streams;
- (d) draw attention to any issues the HoDAP judges particularly relevant to the preparation of the Annual Governance Statement;
- (e) compare the audit work actually undertaken with the work that was planned and summarise the performance of the internal audit function against its performance measures and targets; and

- (f) comment on compliance with the Public Sector Internal Audit Standards and communicate the results of the internal audit quality assurance programme.

#### **4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS**

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

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

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

##### *Assignment planning*

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

#### **5 PROVISION OF INTERNAL AUDIT**

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

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

##### **Internal Audit Performance Management and Quality Assurance**

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

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

##### *Performance Measures and targets*

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

Internal Audit Performance Monitoring Targets.

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

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

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

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

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

### *Customer (user) feedback*

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

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

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

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

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

### *Internal quality reviews*

Devon Audit Partnership management have completed a self-assessment checklist against the PSIAS and have identified that there are no omissions in our practices. We consider that we fully meet over 95% of the elements; partially meet 3% (6); and are not required to or do not meet 2% (5) of the elements. The self-assessment will be updated annually, and, if management identify areas where we could further strengthen our approaches, these will be added to the Quality Action Improvement Plan.

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

Terry and Chris concluded that;

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

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

## **6 RESOURCES AND SKILLS**

### *Resources*

The PSIAS and the Audit Manual states that:

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

Devon Audit Partnership currently has c.31 staff who operate from any one of our three main locations (Plymouth, Torquay and Exeter). The Partnership employs a number of specialists in

areas such as Computer Audit and Contracts Audit and Counter Fraud Investigators as well as a mix of experienced, professionally qualified and non-qualified staff.

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at February 2019) includes:-

- 3 x CCAB qualified
- 6 x qualified IIA
- 2 x qualified computer audit (QICA & CISA)
- 10 x AAT qualified
- 5 x ACFS (accredited counter fraud specialists)

4 x ILM (Institute of Leadership & Management) level 5 or above

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

#### *Staff Development and Training*

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

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

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

**Devon Audit Partnership**

**March 2019**

**Auditing for achievement**



## TORBAY COUNCIL

### INTERNAL AUDIT CHARTER (March 2019)

#### MISSION

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

#### TERMS OF REFERENCE

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

#### DEFINITIONS

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

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

The PSIAS make reference to the role of “Chief Audit Executive”. For The Council this role is fulfilled by the Head of Devon Audit Partnership (HoDAP).

#### STATUTORY REQUIREMENTS

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

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

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

## **THE PURPOSE AND AIM OF INTERNAL AUDIT**

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

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

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

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

## **PROFESSIONALISM, ETHICS AND INDEPENDENCE**

### **Being Professional**

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

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

### **Our Ethics**

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

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

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

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

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

### **Being Independent**

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

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

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

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

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

Auditors should be mindful of being independent. They;

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

### **AUTHORITY**

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

All employees are requested to assist Internal Audit in fulfilling its roles and responsibilities. This is enforced in the Accounts and Audit (England) Regulations 2015 section 5(2-3) that state that:

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

- (2) (a) make available such documents and records; and  
(b) supply such information and explanations; as are considered necessary by those conducting the internal audit.

- (3) in this regulation “documents and records” includes information recorded in an electronic form.

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

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

## **ACCOUNTABILITY**

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

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

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

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

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

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

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

- approving the internal audit charter;
- approving the risk based internal audit plan and resources;
- receiving reports from the Head of Devon Audit Partnership on the section’s performance against the plan and other matters;
- approving the Head of Devon Audit Partnership’s annual report’
- approve the review of the effectiveness of the system of internal audit.

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

## **RESPONSIBILITIES**

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

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

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

Internal Audit responsibilities include but are not limited to:

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

## **INTERNAL AUDIT MANAGEMENT**

The PSIAS describe the requirement for the management of the internal audit function. This sets out various criteria that the HoDAP (as Chief Audit Executive) must meet, and includes:-

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- regularly liaise with the Council's external auditors to ensure that scarce audit resources are used effectively;
- include in the plan the approach to using other sources of assurance if appropriate;
- be accountable, report and build a relationship with the Council's Audit Committee and S.151 Officer; and
- monitor and report upon the effectiveness of the service delivered and compliance with professional and ethical standards.

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

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

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

## **INTERNAL AUDIT PLAN AND RESOURCES**

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

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

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

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

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

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

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

## **REPORTING**

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

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

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

The aim of every Internal Audit report should be:

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

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

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

The Head of the Devon Audit Partnership will

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

## **RELATIONSHIP WITH THE AUDIT COMMITTEE**

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

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

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

- attend meetings, and contribute to the agenda;
- ensure that it receives, and understands, documents that describe how Internal Audit will fulfil its objectives (e.g. the Audit Strategy, annual work programmes, progress reports);
- report the outcomes of internal audit work, in sufficient detail to allow the committee to understand what assurance it can take from that work and/or what unresolved risks or issues it needs to address;
- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;

- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME**

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

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

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

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

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

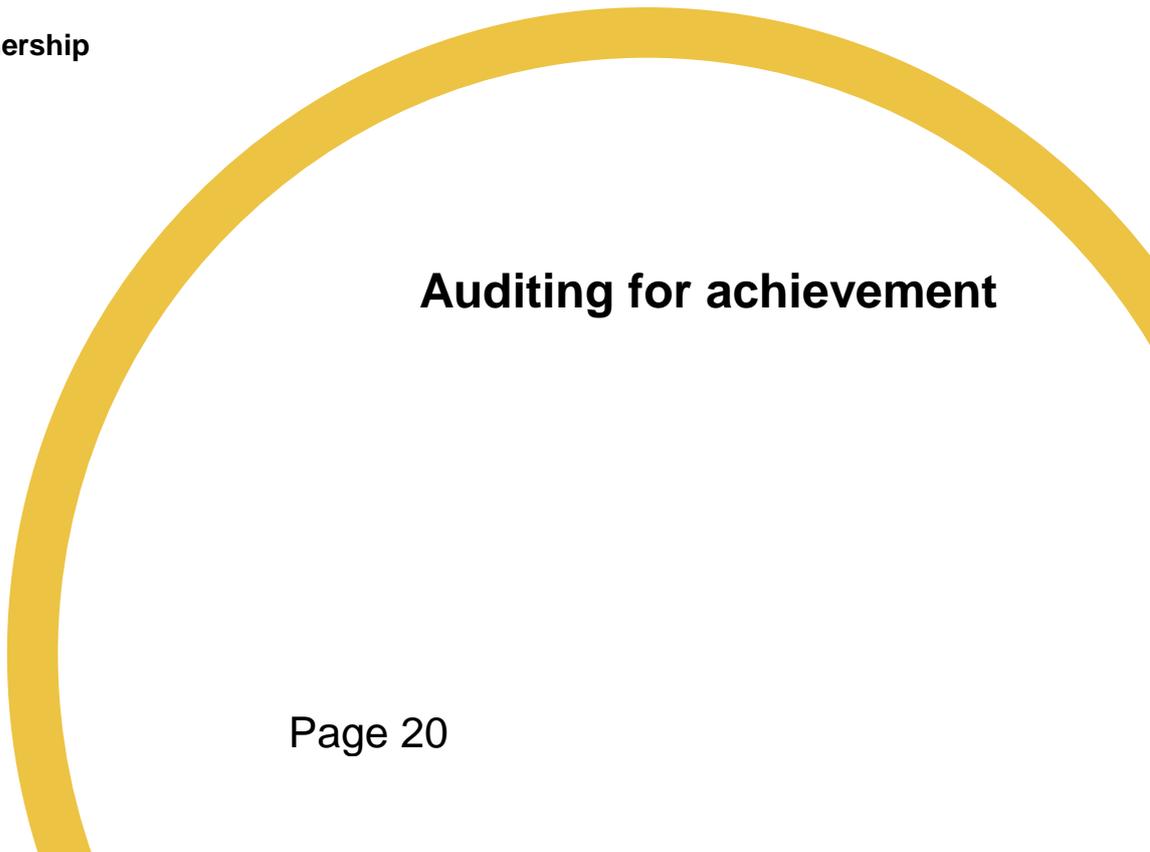
## **CHARTER – NON CONFORMANCE AND REVIEW**

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

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

**Devon Audit Partnership**

**March 2019**



**Auditing for achievement**

Internal Audit

# Internal Audit Plan 2019-20

Torbay Council  
Audit Committee

Page 21

March 2019

Not Protectively Marked

Robert Hutchins  
Head of Audit Partnership



Auditing for achievement

Agenda Item 7

<b>INTRODUCTION</b>	<b>1</b>
<b>ANNUAL SERVICE LEVEL PLANS</b>	<b>2</b>
<b>THEMATIC OVERVIEW AUDIT COVERAGE</b>	<b>3</b>
<b>HIGH LEVEL AUDIT PLAN</b>	<b>4</b>
<b>PROPOSED AUDIT REVIEWS</b>	<b>5</b>
<b>REDUCTION IN DAYS 2017 TO 2020 - IMPACT ON ASSURANCE</b>	<b>8</b>
<b>CHARTERED INSTITUTE OF INTERNAL AUDITORS – THREE LINES OF DEFENCE</b>	<b>9</b>
<b>FRAUD PREVENTION AND DETECTION AND INTERNAL AUDIT GOVERNANCE</b>	<b>10</b>
<b>APPENDIX 1 - AUDIT FRAMEWORK</b>	<b>11</b>
<b>APPENDIX 2 - ANNUAL GOVERNANCE FRAMEWORK ASSURANCE</b>	<b>12</b>
<b>APPENDIX 3 - AUDIT NEEDS ASSESSMENT</b>	<b>13</b>
<b>APPENDIX 4 - OUR AUDIT TEAM AND THE AUDIT DELIVERY CYCLE</b>	<b>14</b>

Page 22

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

## Introduction

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

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

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

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

### Expectations of the Audit Committee for this annual plan

Audit Committee members are requested to consider:

- the annual governance framework requirements;
- the basis of assessment of the audit work in the proposed plan;
- the resources allocated to meet the plan;
- proposed areas of internal audit coverage in 2019/20.

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

**Robert Hutchins**  
**Head of Audit Partnership**

## Annual Service Level Plans

### Transformation Programme

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

### Public Health

We plan to examine the arrangements for Prevention and how the Council supports Prevention across its many departments and systems. This is also intended to link into the Future Model – Improved Outcomes.

### Adult Services and Housing

Whilst most of the assurance work is carried out by Health auditors (Audit South West), our work will review organisational arrangements for Housing service delivery, and follow up our previous work in relation to the Care Act – Better Care Fund / Section 256 monies. We will also review "Health Watch" following planned changes to the service, and Community Engagement with a focus on the Prevention theme and linked to the Future Model – Improved Outcomes.

### Corporate Services

Work will include examination of the current arrangements for Emergency Planning and Business Continuity following action taken to improve both areas. We will also review Community Protection with a focus on Prevention and linked to the Future Model – Improved Outcomes. Libraries Unlimited will also be subject to a separate internal audit by the Devon Audit Partnership commissioned jointly by Torbay Council and Devon County Council.

### Place

We will review processes in Spatial Planning in relation to both Development and Planning and Section 106 and CIL (Community Infrastructure Levy).

We will also consider Commissioning and Performance Monitoring by the Council of the TDA (trading name of the Torbay Economic Development Company Ltd), and the Asset Management Strategy / Plan. We will review arrangements at the Tor Bay Harbour Authority in line with the rolling audit plan agreed with the Harbour Committee, Work will also include examination of commissioning and contract management in relation to Highways, Street Scene, Lighting, Transport Infrastructure and Events.

We will continue to be involved in the TOAD (Torbay On line Asset Database) replacement project as a 'trusted advisor'.

### Children's Services

Following on from our work in Permanency Planning, we will examine Fostering and Connected Carers and the Council's monitoring arrangements in relation to the Regional Adoption Agency. We will also review arrangements for Contracted and Commissioned Services given the high level of spend in this area. Similarly, we will follow up on our previous work in relation to the Use of Agency staff, again due to high level of spend. In addition, a section of the plan will focus on Education Services specifically Early Education / Nursery Funding, Special Education Needs / Higher Needs and Admissions and Place Planning. Time has also been included in relation to Early Years where there will be a focus on Prevention and linked to the Future Model – Improved Outcomes.

Additionally, Schools audit activity, and compliance with Schools Financial Value Standards, will be maintained.

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

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

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

IT Audit activity will support the investment in the service and benefits realisation. We will continue to support major ICT system implementations that fall within the Transformation programme, and the GDPR (General Data Protection Regulations) project. We will examine and evaluate the core ICT functions supporting the Council's key financial systems. The reviews will be undertaken using the ITIL (IT Infrastructure Library) framework as a reference for best practice but maintaining specific relevance to the organisation.

### Value Added and Infrastructure / Business Projects

We will provide irregularity investigation work as required. In addition, we will continue to support the Council in responding to Freedom of Information and Subject Access Requests.

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2018/19. A number of projects will be supported ranging from major infrastructure to operational system implementations.

**Thematic Overview  
Audit Coverage**

Service Area Overview of Audit Coverage						Business Projects	Value Added	
Adult Services and Housing	Children's Services	Public Health	Corporate Services	Place		Transformation Programme (refer to page 5)  Information Security / GDPR  TOAD replacement	Information Security Group  Irregularity Prevention and Investigation  Subject access and freedom of information requests  National Fraud Initiative  Advice  Audit Follow Up  Schools incl. Financial Value Standard	
Housing	Contracted Services / Commissioned Services	Public Health / NHS Links – Prevention*	Community Protection – Prevention*	Development and Planning				
Care Act – Better Care Fund / Section 256 monies (follow up)	Fostering and Connected Carers		Library Service	Section 106 and CIL				
Health Watch	Use of Agency		Commissioning and Performance Monitoring by the Council of TDA					
Community Engagement – Prevention*	Adoption		Events					
(Adult Social Care audited by Audit South West)	Early Years – Prevention*		Beach Services					
	Early Education / Nursery Funding		Torbay Harbour Authority					
	Special Educational Needs / Higher Needs	Asset Management Strategy / Plan						
	Admissions and Place Planning	Highways, Street Scene, Lighting & Transport Infrastructure						
Core Assurance	Business Processes & Governance – Emergency Planning and Business Continuity, Commissioning and Performance Monitoring, Contract Monitoring, Grant Certification, and Audit Assurance Planning and Reporting							
	Key Financial Systems – Payroll, IBS Sys Admin, Creditors & Electronic Ordering, FIMS Sys Admin, Debtors & Corporate Debt, Benefits & Council Tax Support Scheme, Income Collection, Asset Register, Council Tax & Non-Domestic Rates, General Ledger & Bank Reconciliation, Treasury Management							
	ICT – Investment in the Service, ICT Continuity and Disaster Recovery (arrangements for key systems)							

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

## High Level Audit Plan

This chart shows a summary of planned audit coverage for the year totalling 637 direct days (665 including 28 days for Schools). It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Council and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.

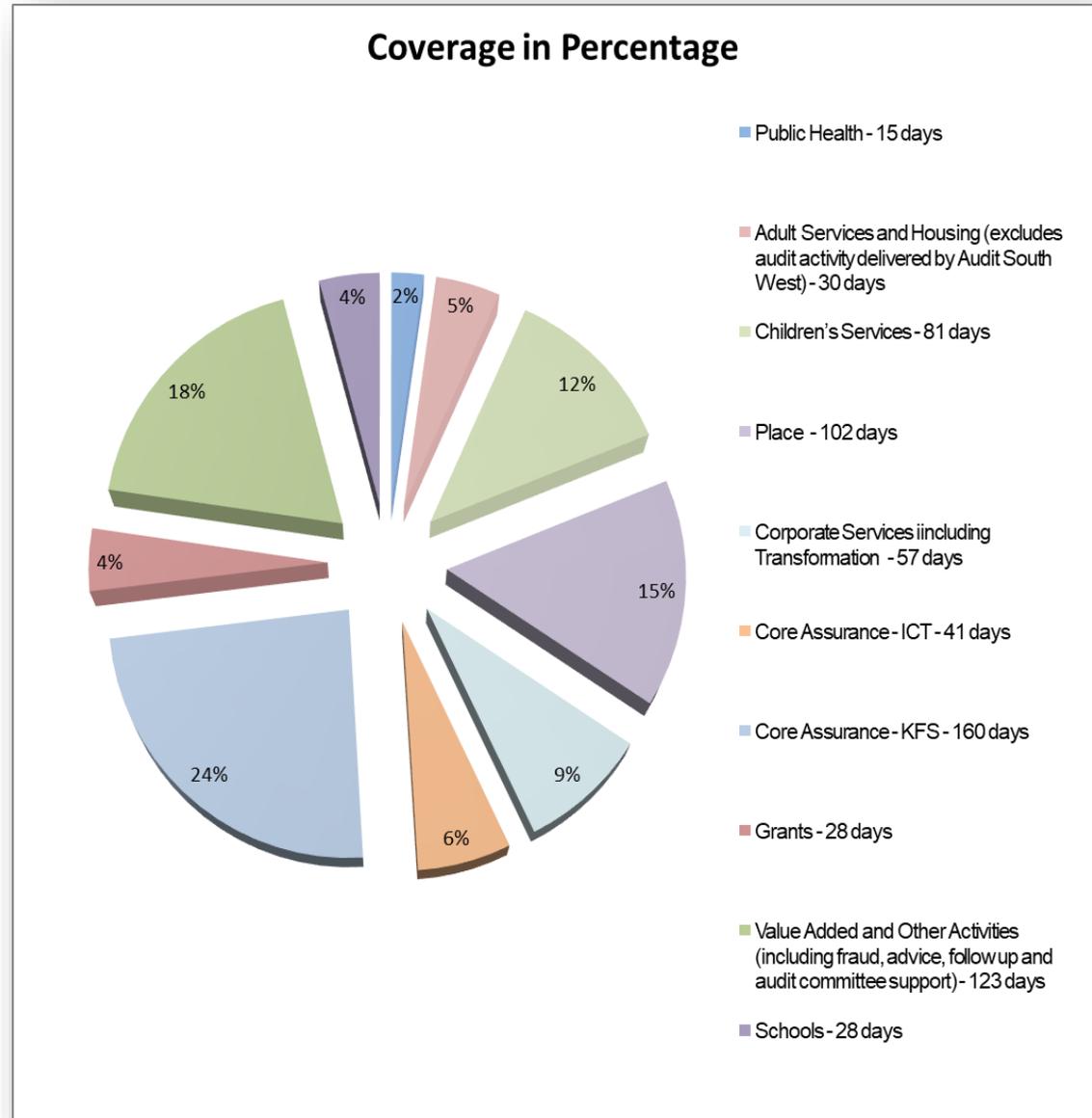
We have set out our plan based on the current organisational structure for the Council. Detailed terms of reference will be drawn up and agreed with management prior to the start of each assignment – in this way we can ensure that the key risks to the operation or function are considered during our review.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

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

It should be noted that the audit plan days have been reduced by partners since the inception of the Devon Audit Partnership. However, Torbay Council's audit plan days have notably reduced.

Torbay Council's ongoing reduction in internal audit days can impact the overall governance environment for the organisation (please refer to the Chartered Institute of Internal Auditors – Three lines of Defence model at page 9). The reduction in days means we are unable to audit areas with the previous frequency, and the breadth of scope or depth of coverage may be limited.

Our overall assessment of our ability to provide “adequate assurance” based on the resources allocated has moved from green overall to amber. Management have been made aware of this assessment and have accepted this risk (see also at page 8).



## Proposed audit reviews

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

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
<b>Transformation</b> (direct project consultancy)			
Transformation Programme - project 'trusted advisor' including review of <ul style="list-style-type: none"> <li>○ Children's Services Delivery Model with Plymouth City Council</li> <li>○ Digitalisation, ICT Service delivery model</li> <li>○ Major Projects incl. ICT Projects</li> <li>○ Change / Programme Management incl. in relation to ICT</li> <li>○ Investment Committee</li> <li>○ Housing Company</li> <li>○ Town Centre Regeneration</li> <li>○ TOR2</li> <li>○ Concessionary Fares</li> <li>○ Redesign of Customer Services / Connections</li> <li>○ Future Model – Improved Outcomes</li> </ul>	ANA – critical	40	1-4
<b>Other Directorate Areas</b> (not directly linked to the transformational change programme)			
<b>Public Health</b>			
Public Health / NHS Links (Prevention and how the Council supports the shift in Prevention across the system, and linked to the Future Model – Improved Outcomes) *	ANA – high, client request	15	2
<b>Adult Services and Housing</b>			
Health Watch ***	ANA – medium, client request	5	1
Housing (including housing strategy, joint working of fragmented service, Crisis report 'housing first model' implementation, use of community housing grant)	ANA – critical	15	3
Care Act – Better Care Fund / Section 256 monies (follow up audit, use of Improved Better Care Fund)	ANA – critical	5	2
Community Engagement – Prevention (linked to the Future Model – Improved Outcomes) *	ANA – high, client request	5	2
Colleagues at Audit South West will be formed of key risks / challenges which have previously included: <ul style="list-style-type: none"> <li>• Care Home Sustainability,</li> <li>• GDPR,</li> <li>• Cyber security,</li> <li>• business continuity,</li> <li>• impact of homelessness.</li> </ul>		Audit areas to be notified and agreed by the Director by the Director of Adult Services and Housing  Audit Plan to be approved at TSDFT's Audit Committee	

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
<b>Children’s Services</b>			
Contracted Services / commissioned Services	ANA – high	15	2
Fostering and Connected Carers	ANA – medium	12	3
Use of Agency staff and control of Safeguarding employee costs (follow up audit)	ANA – high	5	4
Adoption (client monitoring of the Regional Adoption Agency)	ANA - medium	8	1
Early Years – Prevention (linked to the Future Model – Improved Outcomes) *	ANA – high	5	2
Early Education / Nursery Funding	ANA - high	12	4
Special Education Needs / Higher Needs	ANA - medium	10	3
Admissions and Place Planning ***	ANA – low, client request	12	1
School Financial Value Standard (SFVS)	n/a	2	1
Schools	Service bought by Schools – summary of findings provided in relation to Authority Controlled Schools	28	n/a
<b>Place</b>			
Spatial Planning – Development and Planning	ANA - high	18	1
Commissioning and Performance Monitoring by the Council of the TDA (the trading name of the Torbay Economic Development Company Ltd) including loan, new companies, group activity)	ANA - high	10	1
Events (commissioning and contracts)	ANA - medium	14	1
Beach Services ***	ANA – low, client request	10	2
Tor Bay Harbour Authority	ANA - medium	15	2
Asset Management Strategy / Plan	ANA – high	10	3
Highways, Street Scene, Lighting & Transport infrastructure (contract management)	ANA – high	10	3
Spatial Planning – Section 106 and CIL	ANA - medium	12	2
TOAD Replacement (Torbay On line Asset Database) (project assurance)	ANA – medium	3	1-4

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
<b>Corporate Services</b>			
Emergency Planning and Business Continuity	ANA - medium	10	4
Library Service – contribution to internal audit provision to Libraries Unlimited	ANA - medium	2	1
Community Protection (linked to the Future Model – Improved Outcomes) *	ANA – high, client request	5	2
<b>Core Assurance – ICT</b>			
ICT Investment in the Service	ANA - high	20	1-4
ICT Continuity and Disaster Recovery (arrangements for key systems)	ANA - high	10	3
Information Security / GDPR – ‘trusted advisor’	ANA - high	8	1-4
Information Security Group – ‘trusted advisor’	ANA – client request	3	1-4
<b>Core Assurance – Key Financial Systems and Grant Certification</b>			
General Ledger (Main Accounting System) and Bank Reconciliation	ANA – medium	17	3
Creditors & Electronic Ordering (POP)	ANA – high	17	3
Debtors and Corporate Debt	ANA – high	22	4
FIMS Sys Admin (follow up audit)	ANA – high	4	1
Asset Register	ANA – medium	11	1
Treasury Management (follow up audit)	ANA – medium	5	2
Income Collection (follow up audit)	ANA – medium	5	2
Payroll	ANA – high	17	4
Benefits and CTAX Support Scheme	ANA – high	22	2
Benefits (40+ Testing)	ANA – client request	15	2-3
Council Tax and Non-Domestic Rates	ANA – medium	21	4
IBS Open Sys Admin (follow up audit)	ANA – high	4	1
A rolling programme of audits is adopted for material systems whereby although the planned days is likely to remain stable each year, the work programmes may differ, with each audit having varying amounts of system review, testing or a combination of the two. This approach enables us to deliver a more cost-effective service, whilst providing sufficient assurance as to the adequacy of the Authority’s material system control environment.			
Grant Certification	ANA – client request	28	n/a

Risk Area / Audit Entity *	Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Timing	
		Days	Quarter
<b>Value Added and Other Activities</b>			
Irregularity Prevention and Investigation **	business driven requirement, client request	45	n/a
Subject access and freedom of information requests	business driven requirement, client request	5	n/a
Advice	business driven requirement	16	n/a
Audit Follow Up	business driven requirement	12	2-3
Other activities (including audit planning and annual plan report; support for audit committee; 6 month and annual monitoring reports; support for the preparation of the AGS; attendance at corporate meetings; external audit liaison etc.)		45	n/a

### Risk Assessment Key

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

ANA - Audit Needs Assessment risk level

\* To note, these areas are audits focussed on Prevention and how the Council support the shift in Prevention across the system, and linked to the Future Model – Improved Outcomes as requested by s151 and agreed by Directors

\*\* To note, the time spent on irregularities in 2018-19 was more than 45 days; should this be the case during 2019-20 then there will be a need to either revisit the audit plan or commission further internal audit days.

\*\*\* To note, that for these 'client request' audits the scope of work will be discussed with the s151 officer and Director of Corporate Services prior to commencement to enable the redirection of audit resource if appropriate.

## Overall Reduction in Days 2017 to 2020

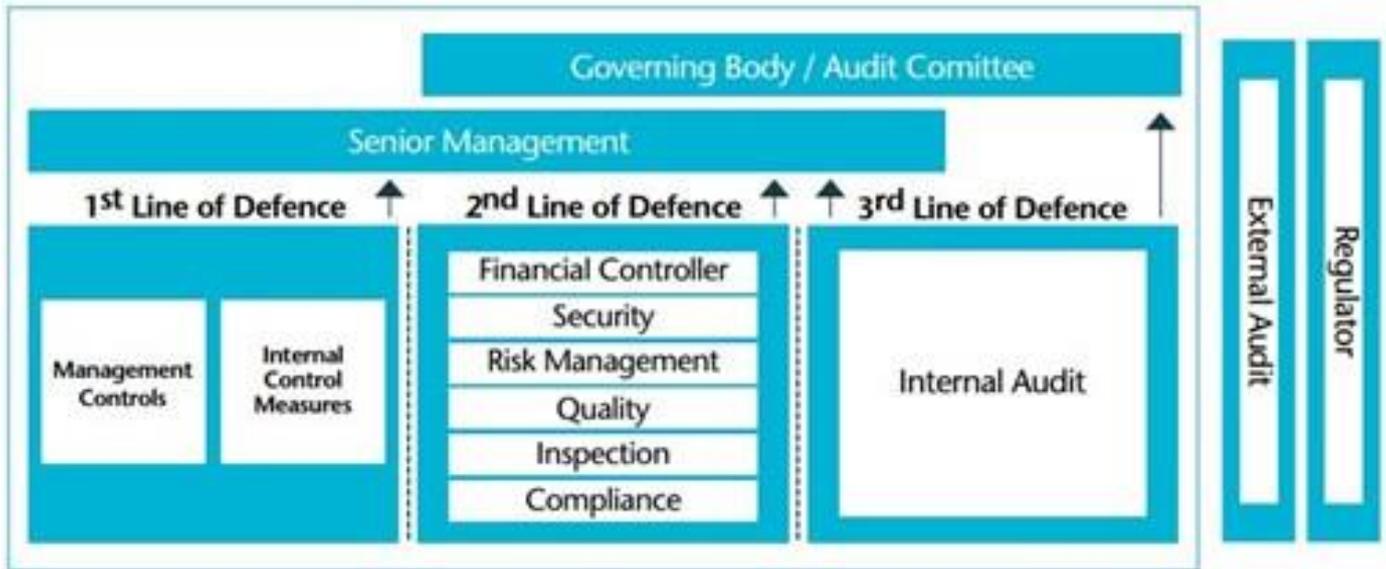
As mentioned at page 4, there has been notable reduction in audit days as shown in the table below. For the 2019/20 year, the reduction has changed our assessment of the internal audit resources and the potential impact on assurance provision from green to amber.

Amber reflects that for 2019/20 we consider that there are still enough audit days for the Head of Internal Audit to provide an assurance opinion, however further reductions could adversely impact this position in future years.

The Council's financial pressures are well known and must be taken in account when setting the resource level for Internal Audit. However, the value in our work is to bring early attention to risks that are not fully understood or mitigated. Reduction in Internal Audit coverage reduces the ability for 'early warning' and could result in issues becoming problems and objectives not being met and reduces our ability to add value to the overall governance arrangements of the Council.

Audit Days	Days 2016/17	Days 2019/20	Direction	Audit Commentary / Risk Assessment
Total Direct Days for Internal Audit	882	637		Assessment is of overall movement from 'green' to 'amber'.

## Chartered Institute of Internal Auditors – Three Lines of Defence



### 1. First line of defence

Under the first line of defence, operational management has ownership, responsibility and accountability for directly assessing, controlling and mitigating risks.

### 2. Second line of defence

The second line of defence consists of activities covered by several components of internal governance (compliance, risk management, quality, IT and other control departments). This line of defence monitors and facilitates the implementation of effective risk management practices by operational management and assists the risk owners in reporting adequate risk related information up and down the organisation.

### 3. Third line of defence

Internal audit forms the organisation's third line of defence. An independent internal audit function will, through a risk-based approach to its work, provide assurance to the organisation's board of directors and senior management. This assurance will cover how effectively the organisation assesses and manages its risks and will include assurance on the effectiveness of the first and second lines of defence. It encompasses all elements of an institution's risk management framework (from risk identification, risk assessment and response, to communication of risk related information) and all categories of organisational objectives: strategic, ethical, operational, reporting and compliance.

### The role of the three lines of defence

Internal audit is uniquely positioned within the organisation to provide global assurance to the audit committee and senior management on the effectiveness of internal governance and risk processes. It is also well-placed to fulfil an advisory role on the coordination of assurance, effective ways of improving existing processes, and assisting management in implementing recommended improvements. In such a framework, internal audit is a cornerstone of an organisation's corporate governance.

The use of the three lines of defence to understand the system of internal control and risk management should not be regarded as an automatic guarantee of success. All three lines need to work effectively with each other and with the audit committee in order to create the right conditions.

The above is an extract from the Institute of Internal Auditors published guidance in relation to the governance of risk.

<https://www.iaa.org.uk/resources/audit-committees/governance-of-risk-three-lines-of-defence/>

## Fraud Prevention and Detection and Internal Audit Governance

### Fraud Prevention and Detection and the National Fraud Initiative

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

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

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2018/19 exercise has commenced with resulting data matches available from early 2019.

### Internal Audit Governance

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

- Preparing the internal audit plan and monitoring implementation;
- Preparing and presenting monitoring reports to Senior Management and the Audit Committee;
- Assistance with the Annual Governance Statement;
- Liaison with other inspection bodies (e.g. Grant Thornton);
- Corporate Governance - Over recent years Internal Audit has become increasingly involved in several corporate governance and strategic issues, and this involvement is anticipated to continue during 2019/20
- On-going development within the Partnership to realise greater efficiencies in the future.

### Partnership working with other auditors

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

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

## Appendix 1 - Audit Framework

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

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

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

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



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

## Appendix 2 - Annual Governance Framework Assurance

The Annual Governance Statement provides assurance that

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

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

- be prepared by senior management and signed by the Chief Executive and the Mayor;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that is followed to ensure that the governance arrangements remain effective. This will include comment upon;
  - The Authority;
  - Audit Committee;
  - Risk Management;
  - Internal Audit
  - Other reviews / assurance
- Provide confirmation that the Authority complies with CIPFA's recently revised International Framework – Good Governance in the Public Sector. If not, a statement is required stating how other arrangements provide the same level of assurance.



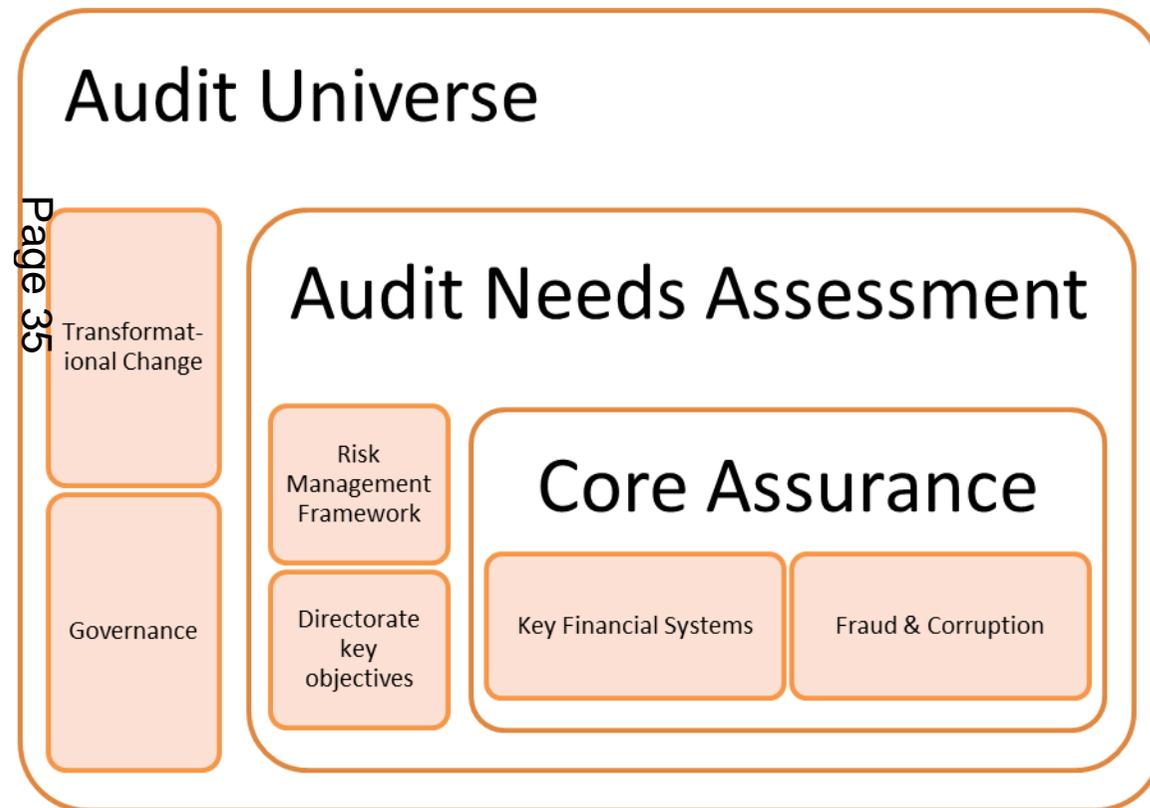
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

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

## Appendix 3 - Audit Needs Assessment

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

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



The audit plan for the year plan has been created by:

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

Review and update of the audit universe

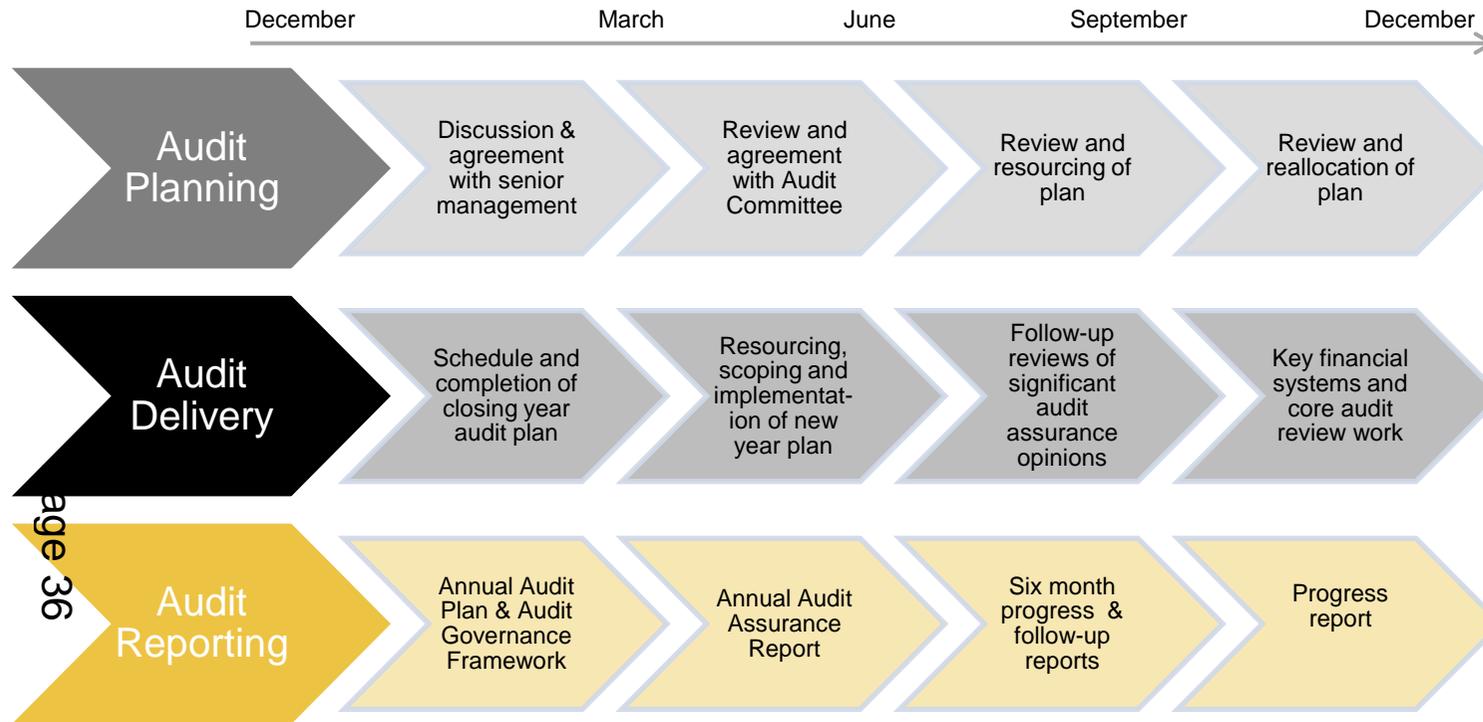
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

Taking into account results of previous internal audit reviews

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

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

## Appendix 4 - Our Audit Team and the Audit Delivery Cycle



Date	Activity
Dec / Jan 2019	Directorate planning meetings
March 2019	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year-end field work completed
Apr / May 2019	Annual Performance reports written
May 2019	Annual Internal Audit Report presented to Audit Committee
	Follow –up work of previous year’s audit work commences
January 2020	Follow-up and progress reports presented to Audit Committee
January 2020	Six-month progress reports presented to Audit Committee
	2020/21 Internal Audit Plan preparation commences

**Robert Hutchins**  
 Head of Audit Partnership  
 T 01392 383000

E [robert.hutchins@devonaudit.gov.uk](mailto:robert.hutchins@devonaudit.gov.uk)

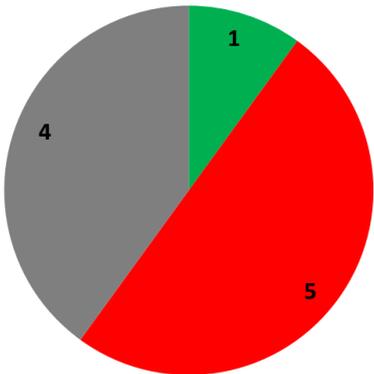
**Lynda Sharp-Woods**  
 Audit Manager – Torbay Council  
 T 01803 207323  
 E [lynda.sharp-woods@devonaudit.gov.uk](mailto:lynda.sharp-woods@devonaudit.gov.uk)

**David Curnow**  
 Deputy Head of Audit Partnership  
 T 01392 383000  
 M 07794201137  
 E [david.curnow@devonaudit.gov.uk](mailto:david.curnow@devonaudit.gov.uk)

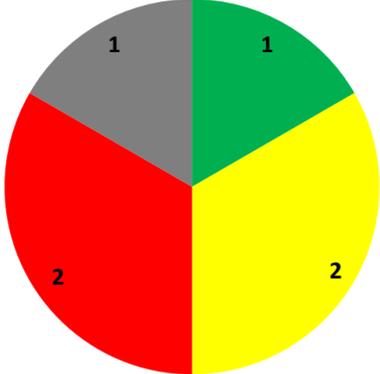
**Dominic Measures**  
 Audit Manager – Specialist Services and Schools  
 T 01752 306722  
 E [dominic.measures@devonaudit.gov.uk](mailto:dominic.measures@devonaudit.gov.uk)

This page is intentionally blank

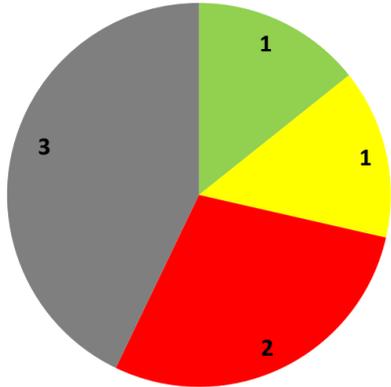
# Corporate Performance Report: Quarter 3 2018/19



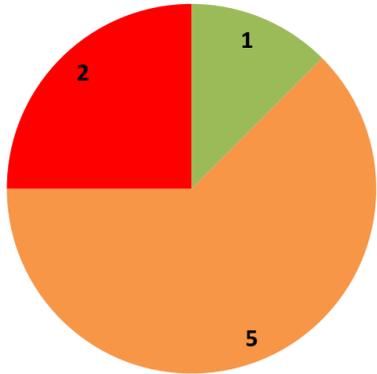
Attractive and Safe PIs (10)



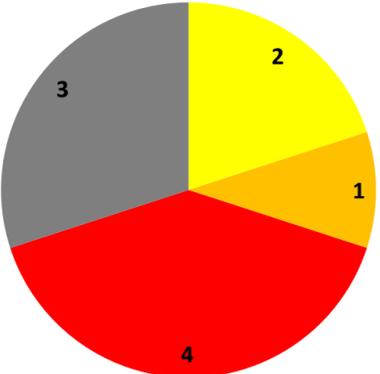
Promoting Healthy Lifestyles PIs (6)



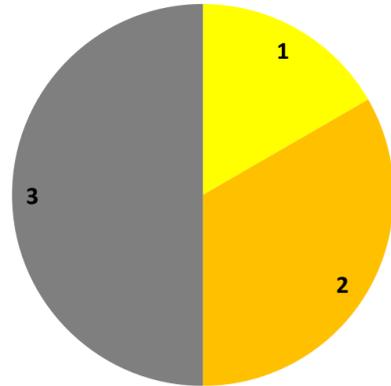
Prosperous Torbay PIs (7)



Protecting all children and giving them the best start in life PIs (10)



Protecting Vulnerable Adults PIs (8)



Running an Efficient Council PIs (6)

Key to Performance Status:



## Corporate Plan Priority: Ensuring Torbay remains an attractive and safe place to live and visit

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value
NI191	<a href="#">Residual household waste per household</a>	It's better to be low	Well Above Target	124	120kg	124	133	133	Reported 1 quarter in arrears	133
NI192	<a href="#">Percentage of household waste sent for reuse, recycling and composting (LAA)</a>	It's better to be high	Well Below Target	42.44%	50.00%	42.44%	44.19%	42.44%	Reported 1 quarter in arrears	42.44%
<b>Priorities for last quarter</b>				<b>Achieved?</b>	<b>Priorities for next quarter</b>					
Progress investment in vehicles and plant				Ongoing	A Report will be taken to Council to propose purchase of the new vehicles which should ensure a waste Collection and Recycling service is fully maintained until the end of the TOR2 contract at 19/7/20, when it is likely that this service will come back under full control of Torbay Council.					
Continue review of the Council's Waste Strategy with the anticipated outcome of increasing recycling and reducing disposal.				Ongoing	As part of the report mentioned above the collection methodology for Recycling and Residual waste will remain as it is currently, but with a modern fleet which will ensure regular collections and improved efficiency, so that the priorities going forward can be to target improved recycling levels and thus reducing Disposal.					

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value
ASPI00 a	<a href="#">Numbers on the housing waiting list by Band A</a>	It's better to be low	Well Above Target	Band A 3	Band A 2	3	5	7	5	5
ASPI00 b	<a href="#">Numbers on the housing waiting list by Band B</a>	It's better to be low	Well Below Target	Band B 242	Band B 300	242	240	219	221	221
ASPI01	<a href="#">Average number sleeping rough (Local Data)</a>	It's better to be low	Well Below Target	37	20	37	21	21	23 The official government rough sleeper count in November = 19 (for 2017 = 24)	23
ASPI08	<a href="#">Number of Events by Torbay Council or on Council Land</a>	N/A	(monitoring only)	8	N/A	8	61	117	8	8
	<a href="#">BID PIs in development</a>						BID are developing their dashboard of PIs			
	<a href="#">BID PIs in development</a>						BID are developing their dashboard of PIs			

Page 30

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Cumulative to date
ASPI02	<a href="#">Numbers in Temporary accommodation</a>	It's better to be low	Well Above Target	537	315	123	158	126	75	365
ASPI05	<a href="#">Domestic violence incidents</a>	N/A	(monitoring only)	3,541	N/A	852	824	983	955	2,762
<b>Priorities for last quarter</b>				<b>Achieved?</b>	<b>Priorities for next quarter</b>					
To continue to maintain low average numbers of people sleeping rough.				Ongoing	To monitor average numbers sleeping rough in relation to Cold Weather Provisions.					
To continue to reduce the numbers in temporary accommodation.				Ongoing	To continue to reduce the numbers in Temporary Accommodation					

## Corporate Plan Priority: Promoting healthy lifestyles across Torbay

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	<a href="#">Excess weight in 4-5 and 10-11 year olds – 4-5 year olds (Per 100,000)</a>	It's better to be low	N/A	24.3%	22.4%	2017/18	Value not published for data quality reasons
PHOF2.1 5iHI	<a href="#">Successful completion of drug treatment – opiate users</a>	It's better to be high	Well Above Target	8.4%	6.5%	2017	7.5%
PHOF2.1 3iHI	<a href="#">Percentage of physically active adults</a>	It's better to be high	On Target	55.5%	66.0%	2016/17	67.1%
PHOF2.1 2HI	<a href="#">Excess weight in adults - Percentage of adults classified as overweight or obese</a>	It's better to be low	On Target	61.2%	61.3%	2016/17	62.0%
PHOF2.0 4iHI	<a href="#">Smoking status at the time of delivery</a>	It's better to be low	Well Above Target	15.2%	10.8%	2017/18	14.5%
PHAP 10.01	<a href="#">Admission episodes for alcohol-related conditions (persons; narrow definition)</a>	It's better to be low	Well Above Target	886	636	2016/17	841

Priorities for last quarter	Achieved?	Priorities for next quarter
<b>Excess weight in primary school age children:</b> Futher embed the four priority areas through project delivery	Ongoing	Continuation of work from the last quarter
<b>Excess weight in primary school age children:</b> 1. Embed THL web content through social media content and school feedback mechanisms. 2. Develop Wave 2 options including an award process	Ongoing	Continuation of work from the last quarter
<b>Excess weight in primary school age children:</b> Re schedule and promote the conference	Ongoing	Continuation of work from the last quarter
<b>Excess weight in adults (16+):</b> Support ongoing delivery, evaluation and sustainability options for Diabetes prevention	Ongoing	Continuation of work from the last quarter
<b>Excess weight in adults (16+):</b> 1. Align Healthy Weight Action Plan, outcomes and partnership around agreed priority areas - cooking skills, healthy food access, food awareness in young people, families and people living in areas of inequality. 2. Align delivery and aspirations with other related areas of public health such as oral health and mental well-being	Ongoing	Continuation of work from the last quarter
<b>Percentage of physically active adults:</b> Launch 'Torbay on the Move' with supporting communications plan	Ongoing	Continuation of work from the last quarter
<b>Percentage of physically active adults:</b> Capture and promote outcomes and develop sustainability plans	Ongoing	Continuation of work from the last quarter
<b>Percentage of physically active adults:</b> Agree project portfolio and delivery plans	Ongoing	Continuation of work from the last quarter
<b>Smoking status at time of delivery:</b> Develop smokefree policy on acute site. Undertake maternity deep dive alongside NHS partners.	Ongoing	Continuation of work from the last quarter
<b>Successful completion of drug treatment:</b> Monitoring of rates to clarify if this is an aberation or a trend - implement action plan with provider service if trend continues	Ongoing	Continuation of work from the last quarter
<b>Admission episodes for alcohol-related conditions:</b> Monitoring of activity to ensure actions are improving activity rates	Ongoing	Continuation of work from the last quarter

## Corporate Plan Priority: Working towards a more prosperous Torbay

Code	Title	Polarity	Status	Prev Year End	Great Britain / Quarter Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value	
PTPI07	<a href="#">Housing Benefit Caseload Count</a>	N/A	(monitoring only)	12,124	N/A	12,124	11,967	11,696	11,156	11,156	
<b>Priorities for last quarter</b>						<b>Achieved?</b>	<b>Priorities for next quarter</b>				
To maintain current levels of claim processing.						Yes	To maintain current progress whilst preparing to adapt to further scheduled legislative changes to Universal Credit from January 19. These amendments will need to be absorbed into revised processing procedures and staff training. We will look to improve processing times as we move towards year end and a period of consistency can be established.				
Automation processes currently being tested and quantified. This will become more important as natural migration to Universal Credit increases.						Yes	We are still awaiting improved format consistencies of information from the DWP to support software houses to develop automated functions. We await this important step forwards to help reduce the current highly intensive levels of manual processing that is required to process Universal Credit information. A further review of Universal Credit data share information to improve current efficiencies/automation processes will hopefully start to be developed in the Summer/Autumn.				
The current debt recovery policy is being reviewed to take into account the impact of Universal Credit in Torbay district.						Yes	Review nearing completion - by transformation team (TP5).				

Code	Title	Polarity	Status	Prev Year End	Quarter Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value
PTPI02	<a href="#">Gross rateable value of Business Rates (NNDR)</a>	It's better to be high	On Target	£92,989,205	£94,286,273	£92,989,205	£93,390,510	£93,444,510	£93,720,595	£93,720,595
	<a href="#">Employment PI in development</a>									
	<a href="#">Local Procurement PI in development</a>									

Code	Title	Polarity	Status	Prev Year End	Great Britain / Month Target	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Last period value
PTPI03	<a href="#">Out of Work Benefits Claimant Count</a>	It's better to be low	Well Below Target	2.4%	2.3%	2.3%	2.4%	2.4%	2.3%	2.2%	2.0%	1.9%	1.9%	1.8%	1.8%	2.0%	N/A	2.0%

Code	Title	Polarity	Status	Prev Year End	Great Britain Value		Last period value
PTPI05	<a href="#">Earnings by Residence (weekly full time)</a>	It's better to be high	Well Below Target	£477.10	£571.10	2018	£472.40
PTPI06	<a href="#">Earnings by Workplace (weekly full time)</a>	It's better to be high	Well Below Target	£467.10	£570.90	2018	£444.10
<b>Priorities for last quarter</b>						<b>Achieved?</b>	<b>Priorities for next quarter</b>

## Corporate Plan Priority: 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 17/18 Year	Anticipated Performance Level	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Average per month for year to date
	<a href="#">Number of Social Care Referrals</a>	In line with benchmarks	Above expected levels	153	160	161	144	198	201	177	183	203	136	136	112	202	138	166

Code	Title	Polarity	Status	Average Monthly for 17/18 Year	Anticipated Performance Level	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Last period value
	<a href="#">Number of Children Looked After</a>	In line with benchmarks	Well above expected levels	327	250	301	309	324	325	333	354	357	353	349	347	350	353	353

	<a href="#">Number of Early help referrals received in month</a>	In line with our service expectations	Below expected levels	61	80	53	51	48	74	80	63	42	77	47	64	67	45	45

	<a href="#">Number of CP plans at month end by Category</a>	In line with benchmarks	In line with benchmarks	205	172	159	144	146	145	153	142	165	170	167	145	148	159	159

	<a href="#">% of children with an Initial Child Protection Conference held within 15 days from strategy meetings</a>	Its better to be high	Improved but still below expected levels	66%	100%	82%	68%	42%	31%	74%	64%	73%	50%	55%	59%	100%	70%	70%

	<a href="#">Timeliness of Single Assessments - completed in month</a>	Its better to be high	Below expected levels	67%	82%	79.5%	59.2%	79.1%	55.2%	64.4%	53.9%	57.1%	68.6%	71.6%	66.9%	65.0%	67.9%	67.9%

Code	Title	Polarity	Status	As at 2017/18 Year End	Anticipated Performance Level	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Last period value
	<a href="#">% CLA cases reviewed within timescales during the month</a>	Its better to be high	Below expected levels	96.1%	100%	96.1%	96.2%	95.6%	94.8%	94.5%	95.9%	96.7%	97.4%	97.3%	98.2%	97.6%	98.5%	98.5%

	<a href="#">Children on CIN plans visited within 30 working days</a>	Its better to be high	Below expected levels	71.1%	90%	79.5%	80.4%	83.4%	81.7%	77.0%	75.0%	81.3%	77.8%	76.6%	81.3%	81.6%	81.0%	81.0%

	<a href="#">Timeliness of adoptions (Average nos of days between entering care and moving in with adopted family)</a>	Its better to be low	Better than targets	411	418	450	444	411	0	0	308	347	441	441	417	417	409	409

Code	Title	Polarity	Status	As at 2017/18 Year End	Quarter Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value
	<a href="#">Social Work Staffing levels - vacancies</a>	Its better to be low	Above expected levels	22.4%	18%	22.4%	25.5%	21.7%	27.4%	27.4%

									Awaiting staffing details from Finance for December 2018 - figure reported Nov 2018	
--	--	--	--	--	--	--	--	--	---	--

Priorities for last quarter						Achieved?	Priorities for next quarter				
Immediate actions from Ofsted relating to visiting and assessment timeliness						Ongoing	Immediate actions from Ofsted relating to visiting and assessment timeliness				
Introduction QPRM quality performance review monitoring.						Ongoing	Introduction QPRM quality performance review monitoring.				
Recruitment and retention strategy to stabilise workforce						Ongoing	Recruitment and retention strategy to stabilise workforce				
Focus on understanding drivers to increased contracts and referrals.						Ongoing	Focus on understanding drivers to increased contracts and referrals.				

## Corporate Plan Priority: Protecting and supporting vulnerable adults

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Year to end of month
LI404	<a href="#">No. of permanent care home placements</a>	It's better to be low	On Target	604	600	629	608	604	602	605	616	625	625	619	629	633	627	627
SC-007b	<a href="#">Number of out of area placement reviews overdue by more than 3 months (snap shot)</a>	It's better to be low	Below Target	0	0	0	0	0	1	0	0	1	1	1	3	1	1	1
ASC 2C p2	<a href="#">Delayed transfers of care from hospital. Part 2 - attributable to social care</a>	It's better to be low	No Target Set	1.9	N/A	2.0	2.0	1.9	2.6	2.5	2.6	2.8	2.4	2.2	2.1	2.1	N/A	2.1 (Reported 1 month in arrears)
SC-008 (LI-451)	<a href="#">% of social care service users receiving 5 hours or less of dom care per week only</a>	It's better to be low	Well Above Target	10.8%	8.5%	10.2%	10.3%	10.4%	10.8%	10.3%	10.0%	9.7%	9.8%	9.9%	9.9%	9.9%	9.8%	9.8%
W1135	<a href="#">Carers receiving needs assessment or review &amp; a specific carer's service, or advice &amp; information (LAA)</a>	It's better to be high	Well Below Target	42.0%	27.0%	38%	41%	42%	1%	3%	5%	7%	10%	13%	16%	20%	22%	22%
	<a href="#">Number of Safeguarding referrals</a>	N/A	No Target Set	267	N/A	217	243	267	18	42	66	89	111	121	132	151	162	162
TCT14b	<a href="#">Safeguarding Adults - % repeat SG referrals in last 12 months</a>	It's better to be low	On Target	7.1%	8.0%	5.9%	6.0%	7.1%	8.4%	9.1%	9.9%	9.7%	7.9%	6.8%	6.7%	7.4%	8.0%	8.0%
ASC 1E	<a href="#">Proportion of adults with a learning disability in paid employment</a>	It's better to be high	Well Below Target	3.8%	4.9%	3.5%	3.7%	3.3%	1.0%	1.0%	1.0%	1.0%	1.2%	2.8%	3.0%	3.7%	3.7%	3.7%
ASC 1H	<a href="#">Proportion of adults in contact with secondary mental health services who live independently, with or without support (commissioned outside ICO)</a>	It's better to be high	Well Below Target	55.0%	68.0%	54.0%	52.7%	55.0%	51.5%	55.1%	55.4%	54.2%	51.4%	48.1%	46.5%	53.2%	55.2%	55.2%
SC-011	<a href="#">Number of people discharged from hospital into permanent residential care (social care funded)</a>	It's better to be low	No Target Set	7	N/A	6	6	7	0	2	3	3	4	5	5	6	6	6

Priorities for last quarter	Achieved?	Priorities for next quarter
Better recording on the system should start to show an improvement in this indicator. Carers Lead Officer is monitoring.	Ongoing	Will take time to embed. Continue to monitor until next quarter.
<p>Will need time to embed before improvements start to show on this indicator. Ongoing monitoring by lead commissioner.</p> <p>As above. Ongoing monitoring by lead commissioner.</p> <p>Project plan is in situ and reviews commenced. Will have numbers /outcomes during next quarter. Also need to ensure accuracy of recording.</p>	<p>Ongoing</p> <p>Ongoing</p> <p>Ongoing</p>	<p>Will take time to embed. Continue to monitor until next quarter.</p> <p>Will take time to embed. Continue to monitor until next quarter.</p> <p>Will take time to embed. Continue to monitor until next quarter.</p>
Review taking place results will be evident during next quarter. Ongoing monitoring by lead commissioner.	Ongoing	Will take time to embed. Continue to monitor until next quarter.

## Corporate Plan Priority: Running an Efficient Council

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Cumulative to date
RECPI01	<a href="#">Agency Staff Cost (excluding schools)</a>	It's better to be low	Well Above Target	£2,483,714	£105,900	£266,134	£171,432	£516,907	£112,107	£305,328	£354,800	£462,949	£445,770	£272,665	£376,408	£286,438	£197,749	£2,814,215
Adults £0k, Children's £151.2k, Public Health £0k, Business Services £13.1k, Corporate Services £12.6k and Planning & Transport £20.8k																		

Code	Title	Polarity	Status	Prev Year End	Annual Target	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Last period value
RECPI02	<a href="#">Variance Against Revenue Budget (projected)</a>	It's better to be low	Above Target	£1,876,000	£0	£2,516,000	£2,870,000	£1,876,000	£-	£-	£2,844,000	£2,850,000	£3,098,000	£2,369,000	£2,278,000	£2,990,00	£92,000	£92,000

Priorities for last quarter	Achieved?	Priorities for next quarter
Continue moratorium on spend	Ongoing	Continue moratorium on spend to limit in year overspend
Identification of in year savings	Ongoing	Continued Identification of in year savings
Continue budget development for 19/20	Yes	Commence Budget 20/21

Code	Title	Polarity	Status	Prev Year End	Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Last period value
RECPI05	<a href="#">Stage 1 complaints dealt with on time</a>	It's better to be high	Well Below Target	54%	90%	54%	44%	45%	48%	48%

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Quarter 4 2017/18	Quarter 1 2018/19	Quarter 2 2018/19	Quarter 3 2018/19	Cumulative to Date
RECPI06	<a href="#">Number of stage 1 complaints logged</a>	N/A	(monitoring only)	395	N/A	105	229	221	174	624
RECPI08	<a href="#">Number of stage 1 complaints logged per 1,000 population</a>	N/A	(monitoring only)	3.0	N/A	0.8	1.7	1.7	1.3	4.7

Code	Title	Polarity	Status	Prev Year End	Monthly Target	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Cumulative to Date	
RECPI07	<a href="#">Number of Data breaches</a>	N/A	(monitoring only)	25	N/A	41	42	44	4	2	13	10	5	13	4	6	2	51	
<b>Priorities for last quarter</b>									<b>Achieved?</b>	<b>Priorities for next quarter</b>									
Further dedicated training sessions with staff on Data Protection.									Yes	All Data Protection training sessions delivered.									
DIPA template and guidance on intranet.									No	Implement new complaints procedure.									
Fundamental review of complaints and member casework policy and procedure to look at how timeliness and quality can be improved.									Yes										



## LGA Finance Peer Challenge – November 2018

### Action Plan – Progress update to Audit Committee: March 2019

**Purpose:**

The Council undertook a narrowly focused finance peer challenge with the Local Government Association (LGA) in November 2018. The aim of review was to:

- identify the Council's current financial position and robustness of its efficiency plan;
- to identify specific actions to address the financial challenges for the longer-term
- include all future options to secure the long-term viability of services for the people of Torbay.

This action plan sets out the Council's response to the LGA Peer Challenge's recommendations and was approved by the Council on 31 January 2019. The Council requested the Audit Committee to monitor its progress.

No.	Recommendation	Action	Lead officer	Target Date	Progress update
1.	Further transformation and savings proposals – planning for 2020 and beyond	1.1 SLT to prepare savings proposals and approach for 2020 budget and beyond	Steve Parrock	Proposals developed ready for new administration in May 2019	Work underway and programmed to ensure they can be presented to new administration in May 2019.

No.	Recommendation	Action	Lead officer	Target Date	Progress update
		1.2 Introduce new transformation project for organisational transformation	Anne-Marie Bond	Commence Jan 2019, then ongoing	Design Principles approved by Transformation Board on 8 February to be developed further for presentation to new administration in May 2019.
2.	Establish formal savings delivery plan for Children's Services, including analysis of current case load to determine rationale for Torbay's high demand on Children's Services	2.1 Revise Children's Medium Term Resource Plan to inform formal saving delivery plan for Children's and provide monitoring reports to SLT and Audit Committee	Alison Botham/Martin Phillips	April 2019	Being developed through the Children's Transformation Board, with some work currently being undertaken by People Too.
		2.2 Undertake analysis of demand pressures on Children's Services	Alison Botham via Children's Improvement Board	Ongoing	This is a complex area, with no singular analysis possible. To be progressed alongside budget considerations.

No.	Recommendation	Action	Lead officer	Target Date	Progress update
3.	Negotiate future ICO risk share from a corporate position to ensure Council position is financially sustainable as a whole	3.1 Negotiations on future ICO risk share to be reported to SLT at regular stages for corporate overview/input	Caroline Taylor/Martin Phillips	Ongoing	Negotiations ongoing, with a report to be presented to Council for a decision
		3.2 Explore opportunities for efficiency savings with the ICO	Caroline Taylor	May 2019	Being considered generally, and as part of potential opportunities through 1.2 above.
4.	Tor2 Contract – development of specifications for services post contract	4.1 Undertake options appraisal for future delivery of services currently provided by Tor2	Kevin Mowat	January 2019 and ongoing	This is designated as a Transformation Project and work is progressing.
5.	Develop outline ideas provided by LGA for further savings and for member consideration e.g. pensions, income generation opportunity and debt repayments	5.1 Develop proposals	Anne-Marie Bond/Martin Phillips	Proposals ready for May 2019	Review being undertaken as part of potential proposals for 2020/21 budget.
6.	Review Capital Programme with view to replacing revenue, reserves or capital receipts with borrowing to enable these to be used to bolster reserves for the short term	6.1 Review approach to Capital Programme	Martin Phillips/Capital and Growth Board	March 2019	Review undertaken as part of the budget process.

No.	Recommendation	Action	Lead officer	Target Date	Progress update
7.	Investigate the option of establishing Town Councils	7.1 Undertake Community Governance Review	Anne-Marie Bond	December 2019	Community Governance Review formally launched on 14 January 2019.
8.	Explore the possibility of a Town Deal with Government	8.1 Continue discussions with Government as to Town Deal	Steve Parrock with Torbay Together	On-going	Discussions continuing but government focus is currently elsewhere
9.	Regional and sub-regional work	9.1 Seek to raise the profile of the Council and identify future funding streams	Steve Parrock and SLT	On-going	On-going attempts to influence, with future administration to consider how this work can be furthered.
10.	Lobby Government of Fair Funding Review	10.1 Lobby and respond to consultation on the future funding formula	Martin Phillips/Steve Parrock	On-going and by 21 February 2019	Consultation response submitted, and invitation to MPs to take them through the detail of the same.

**Endorsement by: Council Meeting on 31 January 2019**  
**Implementation monitoring by Audit Committee**

# External Audit Plan

*Year ending 31 March 2019*

Torbay Council  
5 February 2019

Page 54



# Contents



Your key Grant Thornton  
team members are:

Page 55

Barrie Morris

Director

T: 0117 305 7708

E: barrie.morris@uk.gt.com

Mark Bartlett

Manager

T: 0117 305 7896

E: mark.bartlett@uk.gt.com

Jonathan Stancombe

Executive

T: 0117 305 7733

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

Section	Page
1. Introduction & headline	3
2. Key matters impacting our audit approach	4
3. Significant risks identified	5
4. Other matters	7
5. Materiality	8
9. Value for Money arrangements	9
10. Audit logistics, team & fees	11
11. Early Close	12
12. Independence & non-audit services	13

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

# Introduction & headlines

## Purpose

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

## Respective responsibilities

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

## Scope of our audit

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

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance the Audit committee; and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

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

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

## Significant risks

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

- Management over-ride of controls;
- Valuation of land and buildings; and
- Valuation of the pension fund net liability.

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

## Materiality

We have determined planning materiality to be £5,748k (PY £5,604k) for the Authority, which equates to 2% (PY 1.95%) of your prior year gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £287k (PY £280k).

## Value for Money arrangements

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

- Budget delivery and savings plans
- OFSTED inspection of Children's Services
- Investments arrangements / Commercialisation
- Transformation Programme

## Audit logistics

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

Our fee for the audit will be £78,581 (PY: £102,053) for the Authority, subject to the Authority meeting our requirements set out on page 12.

## Independence

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

# Key matters impacting our audit

## External Factors

### Financial pressures

Local Government funding continues to be stretched with increasing cost pressures and demand from residents.

The Council is forecasting an overspend of £2.4m in 2018/19, due to budget pressures in Children's Services. While the budget consultation for 2019/20 is based on a balanced budget, the Council needs to identify savings in the region of £11m for 2020/21 and 2021/22 in order to achieve a balanced budget.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

## Internal Factors

### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

### Commercialisation

The Council has made a significant investment in commercial property as it seeks to maximise income generation.

An Investment Fund of £200m was set up for this purpose and these funds will be committed by the end of 2018/19, which have been financed by PWLB borrowing.

A large commercial property portfolio may expose the Council's investments to volatility in the commercial property market.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

- We will review the due diligence and scenario planning undertaken by the Council when considering its commercial property investments.
- We will also review the legal advice obtained by the Council and the appropriateness of using PWLB borrowing to fund investment activity.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Torbay Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Torbay Council.</p>
<b>Management over-ride of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

Page 58

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of land and buildings</b>	<p>The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£297m) and the sensitivity of this estimate to changes in key assumptions. Additionally, where a rolling programme is used, management need to ensure the carrying value in the Authority's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.</p> <p>We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work</li> <li>• evaluate the competence, capabilities and objectivity of the valuation expert</li> <li>• write to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met</li> <li>• challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding</li> <li>• test revaluations made during the year to see if they had been input correctly into the Authority's asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.</li> </ul>
<b>Valuation of the pension fund net liability</b>	<p>The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£186m in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and</li> <li>• obtain assurances from the auditor of Devon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

Page 59

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

# Other matters

## Other work

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

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## Other material balances and transactions

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

## Going concern

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

# Materiality

## The concept of materiality

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

## Materiality for planning purposes

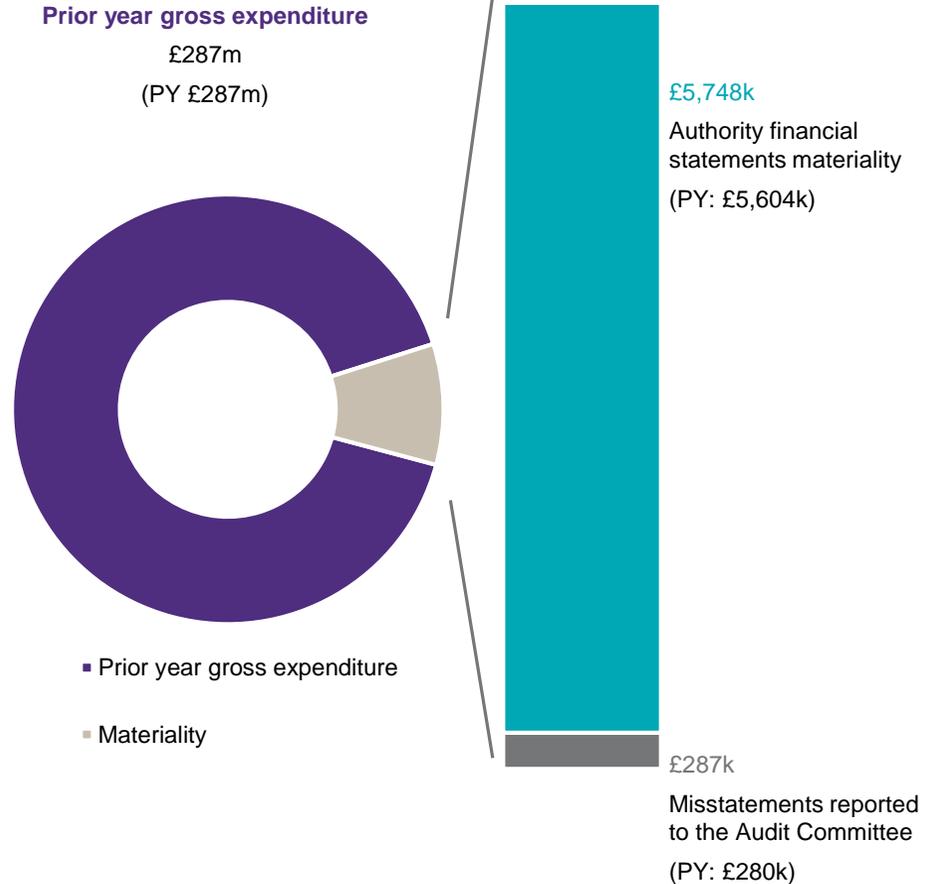
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £5,748k (PY £5,604k) for the Authority, which equates to 2% (PY 1.95%) of your prior year gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £20,000 for senior officer remuneration.

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

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £287k (PY £280k).

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



# Value for Money arrangements

## Background to our VFM approach

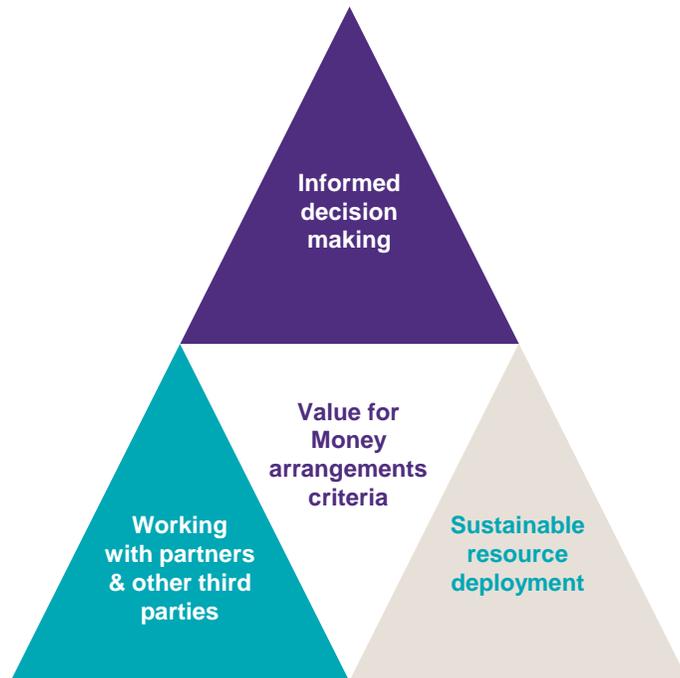
The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

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

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

Page 62



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Budget delivery and savings

The Council is forecasting an overspend of £2.4m in 2018/19, due to budget pressures in Children's Services. While the budget consultation for 2019/20 is based on a balanced budget, the Council needs to identify savings in the region of £11m for 2020/21 and 2021/22 in order to achieve a balanced budget.

We will review the Council's latest MTRP and the 2019/20 budget, considering the assumptions that underpin the figures within them. We will also review the 2018/19 savings achieved against those originally planned.



### OFSTED inspection of children's services

Ofsted report issued in August 2018 rated Children's Services in Torbay as inadequate, following a previous inadequate rating in January 2016. As of 1 April 2018 Torbay's Children's Services have been managed by a single Director of Children's Services who is also the Director of Children's Services for Plymouth City Council.

We will review the progress being made by the Council under its new arrangements with Plymouth City Council, considering the actions being taken to address the continuing pressures on this service.



### Investment arrangements / commercialisation

The Council has an Investment Fund of £200m was set up to maximise income generation, which has been financed by PWLB borrowing. A large commercial property portfolio may expose the Council's investments to volatility.

We will review the due diligence and scenario planning undertaken by the Council when considering its commercial property investments. We will also review the legal advice obtained by the Council, and the appropriateness of using PWLB borrowing to fund investment activity, considering the Prudential Code and the Council's statutory powers.

---

# Value for Money arrangements

## Significant VFM risks (continued)

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Authority to deliver value for money.



### Transformation

The Council is progressing a number of projects through its Transformation Programme as it seeks alternative methods of service delivery. The need to the Council to consider if it has adequate capacity to support and deliver its transformation programme was raised in our 2017/18 Audit Findings Report.

We will review the arrangements being put in place by the Council for these projects, including whether appropriate advice has been taken. This will include new initiatives such as the Housing Company as well as the work being done by the Council on the TOR2 contract. We will also consider whether the restructure and recruitment actions proposed by the Council in response to our 2017/18 recommendation were successful in creating additional capacity to support the transformation programme.

# Audit logistics, team & fees



## Barrie Morris, Engagement Lead

Barrie leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.



## Mark Bartlett, Audit Manager

Mark plans, manages and leads the delivery of the audit, is your key point of contact for your finance team and is your first point of contact for discussing any issues.



## Jonathan Stancombe, Audit Incharge

Jonathan's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

## Audit fees

The planned audit fees are £78,581 (PY: £102,053) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA.

£17,564 of fees are planned for the housing benefits reporting accountant's work and £3,900 for the Teachers Pension audit, which constitute non Code work by PSAA.

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

## Our requirements

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

Any proposed fee variations will need to be approved by PSAA.

# Early close

## Meeting the 31 July audit timeframe

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

The 31 July timeframe was achieved in 2017/18, as it had been in the previous two years.

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

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

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

## Client responsibilities

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

## Our requirements

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

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

In return, we will ensure that:

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

# Independence & non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified:

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing benefits grant	17,564	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £17,564 in comparison to the total fee for the audit of £78,581 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is an indicative fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Teacher's Pension	3,900	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,900 in comparison to the total fee for the audit of £78,581 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

## Non-audit related - None

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.



# Audit Progress Report and Sector Update

Torbay Council  
Year ending 31 March 2019  
Page 68  
25 March 2019



# Contents

Section	Page
Introduction	3
Progress at 13 March 2019	4
Results of interim audit work	6
Audit Deliverables	8
Sector Update	9
Links	14

# Introduction



**Barrie Morris**

**Engagement Lead**

T 0117 305 7708  
M 07771 976 684  
E barrie.morris@uk.gt.com



**Mark Bartlett**

**Engagement Manager**

T 0117 305 37896  
M 07880 456 123  
E mark.bartlett@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](http://www.grant-thornton.co.uk).

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

# Progress at 13 March 2019

## Financial Statements Audit

We carried out our interim audit in February 2019. This included:

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

The findings from our interim audit are summarised on the pages 6 and 7.

## 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 carried out our initial risk assessment to determine our approach in December 2018 and the results of this are included in our Audit Plan, which is a separate item on the agenda of this meeting.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2019.

## Other areas

### Certification of claims and returns

We will be certifying 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 2018/19 claim will be concluded by 30 November 2019.

We will also be auditing the Council's Teacher's Pension return for 2018/19 in accordance with the procedures agreed with Teachers Pensions by the deadline of 30 November 2019.

Certification work is not part of the PSAA contract and this work is subject to separate engagement letters.

### Meetings

We met with finance officers in February 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 Monitoring Officer in February to discuss the Council's strategic priorities and plans.

### Events

We provide a range of workshops, along with network events for members and publications to support the Council. Our latest events were our local government accounts workshops which took place in February 2019. The Council's finance staff attended the workshop in Plymouth.

# Progress at 13 March 2019 (continued)

## PSAA Contract Monitoring

Torbay Council opted into the Public Sector Audit Appointments (PSAA) Appointing Person scheme which starts in 2018/19. PSAA appointed Grant Thornton as auditors. PSAA is responsible under the Local Audit (Appointing Person) Regulations 2015 for monitoring compliance with the contract and is committed to ensuring good quality audit services are provided by its suppliers. Details of PSAA's audit quality monitoring arrangements are available from its website, [www.psaa.co.uk](http://www.psaa.co.uk).

Our contract with PSAA contains a method statement which sets out the firm's commitment to deliver quality audit services, our audit approach and what clients can expect from us.

Page 72

# Results of interim audit work

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

	Work performed	Conclusions and recommendations
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values;</li> <li>• Commitment to competence;</li> <li>• Participation by those charged with governance;</li> <li>• Management's philosophy and operating style;</li> <li>• Organisational structure;</li> <li>• Assignment of authority and responsibility; and</li> <li>• Human resource policies and practices.</li> </ul>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>Understanding business processes</b>	<p>We have obtained and documented an understanding of the Council's business processes where we have considered that the class of transaction is significant to the financial statements.</p> <p>This has been completed for:</p> <ul style="list-style-type: none"> <li>• Cash</li> <li>• Collection Fund</li> <li>• Creditors/ Purchases</li> <li>• Debtors/ Fees and Charges</li> <li>• Grant Income</li> <li>• Investments</li> <li>• Payroll</li> <li>• Pensions</li> <li>• Provisions</li> <li>• Plant, Property and Equipment</li> <li>• Welfare Benefits</li> </ul>	Our work identified no material weaknesses which are likely to adversely impact on the Council's financial statements.
<b>Review of information technology controls</b>	<p>We performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.

# Results of interim audit work (continued)

	Work performed	Conclusions and recommendations
<b>Journal entry controls</b>	We have Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has not identified any weaknesses which impact on our audit approach. At year end we will undertake detailed testing on journal transactions recorded, by extracting 'unusual' entries for further review.
<b>Early substantive testing</b>	<p>We have performed early substantive testing in the following areas:</p> <p><b>Review of opening ledger balances roll forward</b></p> <p><b>Employee Remuneration</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of overtime expenditure to period 10</li> <li>Substantive analytical review of payroll expenditure to period 8</li> </ul> <p><b>Operating Expenses</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of non-payroll expenditure transactions to period 10</li> <li>Updated our understanding of the accruals process</li> </ul> <p><b>Other Income</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of fees and charges income to period 10</li> </ul> <p><b>Property, Plant and Equipment</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of capital additions to period 10</li> </ul> <p><b>Welfare Benefits</b></p> <ul style="list-style-type: none"> <li>Substantive testing of a sample of welfare benefits to period 10</li> </ul>	Our audit work has not identified any significant issues within the testing undertaken.
<b>Walkthrough testing</b>	<p>We performed a walkthrough for Journals, however, as revaluations and pensions are completed at the year end, it is not possible to perform a walkthrough until later in the year.</p> <p>Our work has not identified any issues which we wish to bring to your attention.</p> <p>No weaknesses were identified thus far in the design of controls relating to journals, pensions and revaluations.</p>	Our work has not identified any weaknesses which impact on our audit approach.

# Audit Deliverables

2017/18 Deliverables	Planned Date	Status
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	January 2018	Complete
<b>2018/19 Deliverables</b>	<b>Planned Date</b>	<b>Status</b>
<b>Fee Letter</b> Confirming audit fee for 2018/19.	April 2018	Complete
<b>Accounts Audit Plan</b> 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 2018-19 financial statements.	March 2019	Complete
<b>Interim Audit Findings</b> We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Complete
<b>Audit Findings Report</b> The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
<b>Auditors Report</b> This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
<b>Annual Audit Letter</b> This letter communicates the key issues arising from our work.	August 2019	Not yet due
<b>Annual Certification Letter</b> This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	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.

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

# Public Sector Audit Appointments – Report on the results of auditors’ work 2017/18

This is the fourth report published by Public Sector Audit Appointments (PSAA) and summarises the results of auditors’ work at 495 principal local government and police bodies for 2017/18. This will be the final report under the statutory functions from the Audit Commission Act 1998 that were delegated to PSAA on a transitional basis.

The report covers the timeliness and quality of financial reporting, auditors’ local value for money work, and the extent to which auditors used their statutory reporting powers.

For 2017/18, the statutory accounts publication deadline came forward by two months to 31 July 2018. This was challenging for bodies and auditors and it is encouraging that 431 (87 per cent) audited bodies received an audit opinion by the new deadline.

The most common reasons for delays in issuing the opinion on the 2017/18 accounts were:

- technical accounting/audit issues;
- various errors identified during the audit;
- insufficient availability of staff at the audited body to support the audit;
- problems with the quality of supporting working papers; and
- draft accounts submitted late for audit.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts. Auditors have made statutory recommendations to three bodies, compared to two such cases in respect of 2016/17, and issued an advisory notice to one body.

The number of qualified conclusions on value for money arrangements looks set to remain relatively constant. It currently stands at 7 per cent (32 councils, 1 fire and rescue authority, 1 police body and 2 other local government bodies) compared to 8 per cent for 2016/17, with a further 30 conclusions for 2017/18 still to be issued.

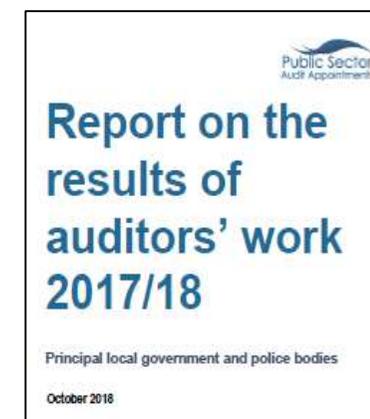
The most common reasons for auditors issuing qualified VFM conclusions for 2017/18 were:

- the impact of issues identified in the reports of statutory inspectorates, for example Ofsted;
- corporate governance issues;
- financial sustainability concerns; and
- procurement/contract management issues.

All the opinions issued to date in relation to bodies’ financial statements are unqualified, as was the case for the 2016/17 accounts.

The report is available on the PSAA website:

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



# CIPFA – Financial Resilience Index plans revised

## The Chartered Institute of Public Finance and Accountancy (CIPFA) has refined its plans for a financial resilience index for councils and is poised to rate bodies on a “suite of indicators” following a consultation with the sector.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector’s views, CIPFA invited all interested parties to respond to questions it put forward in the consultation by the 24 August.

CIPFA has also responded to concerns about the initial choice of indicators, updating the selection and will offer authorities an advanced viewing of results.

Plans for a financial resilience index were put forward by CIPFA in the summer. It is being designed to offer the sector some external guidance on their financial position.

CIPFA hailed the “unprecedented level of interest” in the consultation.

Responses were received from 189 parties, including individual local authorities, umbrella groups and auditors. Some respondents called for a more “forward-looking” assessment and raised fears over the possibility of “naming and shaming” councils.

CIPFA chief executive Rob Whiteman said with local government facing “unprecedented financial challenges” and weaknesses in public audit systems, the institute was stepping in to provide a leadership role in the public interest.

“Following the feedback we have received, we have modified and strengthened the tool so it will be even more helpful for local authorities with deteriorating financial positions,” he said.

“The tool will sit alongside CIPFA’s planned Financial Management Code, which aims to support good practice in the planning and execution of sustainable finances.”

CIPFA is now planning to introduce a “reserves depletion time” category as one of the indicators. This shows the length of time a council’s reserves will last if they deplete their reserves at the same rate as over the past three years.

The consultation response document said this new category showed that “generally most councils have either not depleted their reserves or their depletion has been low”.

“The tool will not now provide, as originally envisaged, a composite weighted index but within the suite of indicators it will include a red, amber, green (RAG) alert of specific proximity to insufficient reserve given recent trajectories,” it said.

It also highlighted the broad support from the sector for the creation of the index. “There was little dissent over the fact that CIPFA is doing the right thing in drawing attention to a matter of high national concern,” it said.

“Most respondents agreed to the need for transparency – but a sizable number had concerns over the possibly negative impacts of adverse indicators and many councils wanted to see their results prior to publication.”

As such, CIPFA plans to provide resilience measurements first to the local authorities and their auditors via the section 151 officer rather than publishing openly.



# ICAEW Report: expectations gap

The Institute of Chartered Accountants in England and Wales (ICAEW) has published a paper on the 'expectation gap' in the external audit of public bodies.

## Context:

The expectation gap is the difference between what an auditor actually does, and what stakeholders and commentators think the auditors obligations might be and what they might do. Greater debate being whether greater education and communication between auditors and stakeholders should occur rather than substantial changes in role and remit of audit.

## What's the problem?

- **Short-term solvency vs. Longer-term value:**
  - LG & NHS: Facing financial pressures, oversight & governance pressures
- **Limited usefulness of auditors reports:** 'The VFM conclusion is helpful, but it is more about the system/arrangements in place rather than the actual effectiveness of value for money'
- **Other powers and duties:** implementing public interest reports in addition to VFM
- **Restricted role of questions and objections:** Misunderstanding over any objections/and or question should be resolved by the local public auditor. Lack of understanding that auditors have discretion in the use of their powers.
- **Audit qualification not always acted on by those charged with governance:** 'if independent public audit is to have the impact that it needs, it has to be taken seriously by those charged with governance'
- **Audit committees not consistently effective:** Local government struggles to recruit external members for their audit committees, they do not always have the required competencies and independence.
- **Decreased audit fees:** firms choose not to participate because considered that the margins were too tight to enable them to carry out a sufficient amount of work within the fee scales.
- **Impact of audit independence rules:** new independence rules don't allow for external auditors to take on additional work that could compromise their external audit role
- **Other stakeholders expectations not aligned with audit standards**

- **Increased auditor liability:** an auditor considering reporting outside of the main audit engagement would need to bill their client separately and expect the client to pay.

## Future financial viability of local public bodies

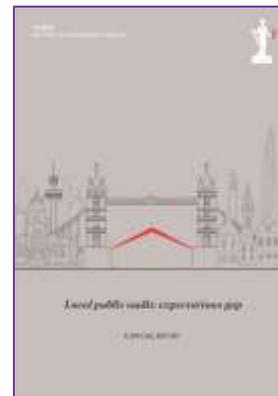
Local public bodies are being asked to deliver more with less and be more innovative and commercial. CFOs are, of course, nervous at taking risks in the current environment and therefore would like more involvement by their auditors. They want auditors to challenge their forward-looking plans and assumptions and comment on the financial resilience of the organisation..

## The ICAEW puts forward two solutions:

Solution a) If CFO's want additional advisory work, rather than just the audit, they can separately hire consultants (either accountancy firms not providing the statutory audit or other business advisory organisations with the required competencies) to work alongside them in their financial resilience work and challenging budget assumptions.

Solution b) Wider profession (IFAC, IAASB, accountancy bodies) should consider whether audit, in its current form, is sustainable and fit for purpose. Stakeholders want greater assurance, through greater depth of testing, analysis and more detailed reporting of financial matters. It is perhaps, time to look at the wider scope of audit. For example, could there be more value in auditors providing assurance reports on key risk indicators which have a greater future-looking focus, albeit focused on historic data?

## More information can be found in the link below (click on the cover page)



# Brexit Room - Increasing readiness and resilience within your locality

Local authorities have always navigated uncertainty and faced challenges on behalf of communities and this role has never been more important than now. Whilst the outcome of Brexit remains uncertain at a national level, it is essential for councils to set a path to ensure the continued delivery of vital services and the best possible outcomes for their local communities and economies.

Whatever happens over the coming weeks and months, it is important that councils identify key Brexit scenarios and use these to frame robust local contingency plans.

From our conversations with the sector we know that local authorities are at different stages in their preparation for this big change.

Here's a brief summary of the issues that we are seeing:

## Organisations

- Engaging non-EEA nationals within the workforce to ensure they understand their residency rights and are not receiving incorrect information from other sources
- Loss of access to key EU databases on policing and trading standards and changes to data sharing arrangements
- Uncertainty around continuation of EU funding beyond 2020 and the implementation of the UK Shared Prosperity Fund.

## Services and suppliers

- Engaging with key suppliers to assess their risk profiles and resilience
- Dealing with the immediate strain on key services such as social care and trading standards
- Potential disruption to live procurement activities and uncertainty around the national procurement rulebook post OJEU.

## Place

- Considering scenarios for economic shock, the associated social impact in the short, medium and long-term and the potential impact on local authority financial resilience
- Potential impacts on major local employers, key infrastructure investment programmes and transport improvements
- Civil contingencies and providing reassurance and support to residents and businesses.

## Our approach

The Brexit Room is a flexible and interactive half-day workshop designed to sharpen your thinking on the impact Brexit could have on:

**Your organisation** – including considerations on workforce, funding, and changes to legislation

**Your services and suppliers** – ensuring that critical services are protected and building resilience within supply chains

**Your place** – using our proprietary Place Analytics tools we will help you to understand potential impacts on your local communities and economy and develop a place-based response, working with partners where appropriate.

We can work with you to identify key risks and opportunities in each of these areas whilst building consensus on the priority actions to be taken forward. You will receive a concise and focused write-up of the discussion and action plan to help shape the next stages of your work on Brexit.

For more information, follow the link below:

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

---

# Links

---

## Grant Thornton website links

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

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

<https://www.grantthornton.co.uk/en/insights/councils-are-at-risk-but-do-they-really-know-why/>

<https://www.grantthornton.co.uk/en/insights/from-resilience-to-financial-sustainability/>

<https://www.grantthornton.co.uk/insights/brexit-local-leadership-on-the-front-line/>

Page  
81

## Public Sector Audit Appointments

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

## ICAEW

<https://www.icaew.com/-/media/corporate/files/about-icaew/policy/local-public-audit-expectation-gap.ashx?la=en>

