

Phil Norrey
Chief Executive

To: The Chairman and Members of
the Audit Committee

County Hall
Topsham Road
Exeter
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(See below)

Your ref :
Our ref :

Date : 20 March 2017
Please ask for : Wendy Simpson, 01392 384383

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AUDIT COMMITTEE

Tuesday, 28th March, 2017

A meeting of the Audit Committee is to be held on the above date at 2.00 pm in the Committee Suite - County Hall to consider the following matters.

P NORREY
Chief Executive

AGENDA

PART I - OPEN COMMITTEE


- 1 Apologies for absence
- 2 Minutes
Minutes of the meeting held on 22 November 2016 (previously circulated).
- 3 Items Requiring Urgent Attention
Items which in the opinion of the Chairman should be considered at the meeting as a matter of urgency.
- 4 Devon County Council External Audit Plan (Pages 1 - 26)
Report of Grant Thornton (CT/17/33), attached.
- 5 Devon Pension Fund External Audit Plan (Pages 27 - 44)
Report of Grant Thornton (CT/17/34), attached.
- 6 External Audit Progress Report and Update (Pages 45 - 62)
Report of Grant Thornton (CT/17/35), attached.
- 7 Internal Audit Plan 2017/18 (Pages 63 - 92)
Report of the County Treasurer (CT/17/27), attached.

- 8 Internal Audit Strategy 2017/18 (Pages 93 - 100)
Report of the County Treasurer (CT/17/29), attached.
- 9 Internal Audit Charter 2017/18 (Pages 101 - 110)
Report of the County Treasurer (CT/17/28), attached.
- 10 Devon County Council - Control Environment (Pages 111 - 128)
Report of the County Treasurer (CT/17/30), attached.
- 11 Admitting New Partners to the Devon Audit Partnership (Pages 129 - 130)
Report of the County Treasurer (CT/17/32), attached.
- 12 Highway Infrastructure Code
Update from the County Treasurer.
- 13 Corporate Risk Management (Pages 131 - 146)
Report of the County Treasurer (CT/17/31), attached.
- 14 Future Meetings
Please use link below for County Council Calendar of Meetings:
<http://democracy.devon.gov.uk/ielistmeetings.aspx?CId=161&Year=0>

PART II - ITEMS WHICH MAY BE TAKEN IN THE ABSENCE OF PRESS AND PUBLIC ON THE GROUNDS THAT EXEMPT INFORMATION MAY BE DISCLOSED

Nil

Members are reminded that Part II Reports contain confidential information and should therefore be treated accordingly. They should not be disclosed or passed on to any other person(s). Members are also reminded of the need to dispose of such reports carefully and are therefore invited to return them to the Democratic Services Officer at the conclusion of the meeting for disposal.

Membership
Councillors R Edgell (Chairman), C Clarence (Vice-Chair), J Berry, F Biederman, A Hannan, D Hannon and B Hughes
Declaration of Interests
Members are reminded that they must declare any interest they may have in any item to be considered at this meeting, prior to any discussion taking place on that item.
Access to Information
Any person wishing to inspect any minutes, reports or lists of background papers relating to any item on this agenda should contact Wendy Simpson on 01392 384383. Agenda and minutes of the Committee are published on the Council's Website and can also be accessed via the Modern.Gov app, available from the usual stores.
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 Induction loop system available

EXTERNAL AUDIT – AUDIT PLAN FOR DEVON COUNTY COUNCIL 2016/17

Report provided by Grant Thornton via the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee notes the attached report.

1. The attached report, provided by the Council's External Auditors (Grant Thornton), sets out the planned approach for the audit of the County Council for the year ended 31 March 2017.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

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Background Paper: None



The Audit Plan for Devon County Council

Year ended 31 March 2017

16 March 2017

Elizabeth Cave
Director

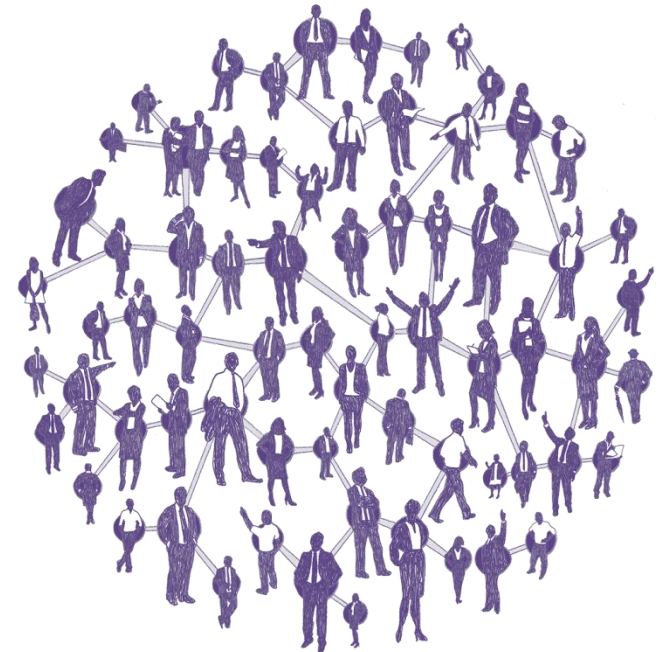
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16 March 2017

Dear Members of the Audit Committee

Audit Plan for Devon County Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance in the case of Devon County Council, the Audit Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

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. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Elizabeth Cave

Engagement Lead

Chartered Accountants

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Appendix 1: Action plan

Understanding your business and key developments

Developments

Integration with health sector

Wider transfers of responsibility for public health to local government, and more specifically Better Care Fund (BCF) plans and the associated pooled budgets have been operational since 1 April 2015.

It is early stages for the implementation of the Better Care Fund given 2015/16 was the first year and more work is needed to be done to achieve its objectives. The Council has demonstrated closer working with partners which should assist with integration with the health sector.

Organisation restructure

The Council has made changes to its structure and Corporate Leadership Group to ensure it has capacity where it is needed. The new team bolsters leadership capacity for adult health integration and children's social care and brings other services together with a strong communities focus. This aligns the organisation around its newly defined purposes and strengthens leadership of the transformation programme.

Key challenges

Autumn Statement and adult social care

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. Whilst there was no new money, savings of £241 million from the reform of the New Homes Bonus have been allocated to social care authorities through a new Adult Social Care Support Grant.

Financial sustainability and transformational programme

Working with Vanguard Consultancy the Council are reviewing their overall purpose and relationship with citizens and communities, identifying a series of "purposeful systems" which will be redesigned over the next 2 to 3 years.

Key performance Indicators

Measure	Value	Comments
Budget	492.9 m	The Council has historically managed to spend within budget. In the prior year the Council coped with areas of overspend to deliver an overall eventual underspend of £35,000 on a net revenue budget of £500m. This remains a significant challenge given the financial pressures.
Savings plans	34.3m	The Council identified savings for 2016/17 in order to set a budget which was affordable.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

Highways network asset (HNA)

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities.

Our response

- We aim to complete all our substantive audit work of your financial statements by August 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code
- We will review the Council's progress in managing its financial performance and review its medium term financial planning including developing and achieving saving plans, as part of our work in reaching our VFM conclusion.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. 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. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £20m. In the previous year, we determined materiality to be £20m. Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1m.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment 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.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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 Devon County Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Devon County Council, mean that all forms of fraud are seen as unacceptable <p>Therefore do not consider this to be a significant risk for Devon County Council.</p>
Management override of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation • Review of unusual significant transactions <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation for the period December 2016 to March 2017 • Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p>Valuation of property, plant and equipment</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 9</p>	<p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of the competence, expertise and objectivity of any management experts used. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the instructions issued to valuation experts and the scope of their work • Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluation of 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.

Significant risks identified (continued)

Significant risk	Description	Audit procedures
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.
Changes to the presentation of local authority financial statements	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will document and evaluate the process for the recording the required financial reporting changes to the 2016/17 financial statements. • We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Authority's internal reporting structure. • We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). • We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. • We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. • We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. • We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

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Other risks identified

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

Reasonably possible risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction <p>Further work planned:</p> <ul style="list-style-type: none"> Agree creditors to the ledger Substantive testing of significant creditor balances Review of after date payments to ensure all liabilities identified
Employee remuneration	Employee remuneration accruals are understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> Review of system documentation and walkthrough of transaction Substantively test a sample of remuneration transactions (months 1 to 9). <p>Further work planned:</p> <ul style="list-style-type: none"> Reconcile the pay expenditure reported in the financial statements to total expenditure recorded in the payroll. Trend analysis analytical review Substantively test a sample of remuneration transactions for remainder of the year.

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

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

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 the previous sections but will include:

- Investments (long term and short term)
- Cash and cash equivalents
- Trade and other receivables (long term and short term)
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Schools balances and transactions
- New note disclosures
- Officers' remuneration note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- the findings of other inspectorates and review agencies, including Ofsted.
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. These are set out overleaf.

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Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30 September 2017.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Delivery of planned recurrent savings The Council set a balanced budget for 2016/17 after identifying £34.3 million of savings that were needed to achieve a balanced budget for the year. To achieve these savings whilst maintaining provision of service presents a challenge.</p> <p>There is a risk of not achieving the required savings in year resulting in potential overspends in budget for current and future years.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review arrangements for monitoring and managing delivery of the 2016/17 budget and savings plans. We will review the Council's arrangements for 2017/18 budget setting including identification of savings plans.</p>
<p>Financial sustainability and identification of recurrent savings for 2017/18 and beyond Whilst the Council has set a balanced budget for 2016/17 and 2017/18, and has increased council tax by the maximum permitted, finding additional savings in future years is an increasing significant challenge. The latest medium term financial strategy outlines that £40.6 m of savings for 2018/19 to 2020/21 still need to be found. To achieve this whilst maintaining provision of service presents a challenge.</p> <p>Following the Budget announcement in March 2017 of increased funding for adult and social care, this will require the Council's medium term financial strategy to be refreshed accordingly.</p> <p>There is a risk that recurrent savings are not identified and achieved to fill the savings gap identified.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the Council's arrangements for updating, agreeing and monitoring its Medium Term Financial Strategy. Specifically we will consider the robustness of the financial planning assumptions and arrangements for ensuring the financial projections including future savings are realistic and achievable.</p>
<p>Service transformation projects The Council's has embarked on a programme delivering significant changes to the way in which services are delivered. The programme requires a number of key projects and investments, which are significant both in scale and financial terms.</p> <p>There is a risk that the transformational programme does not produce the required level of change and therefore does not deliver the financial savings needed in the required timeframe.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will review the project management and risk assurance arrangements established by the Council in respect of the transformational programme and related significant projects, to establish how the Council is identifying, managing and monitoring these risks against planned outcomes.</p>

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows:

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

We certify completion of our audit.

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

Results of interim audit work (continued)

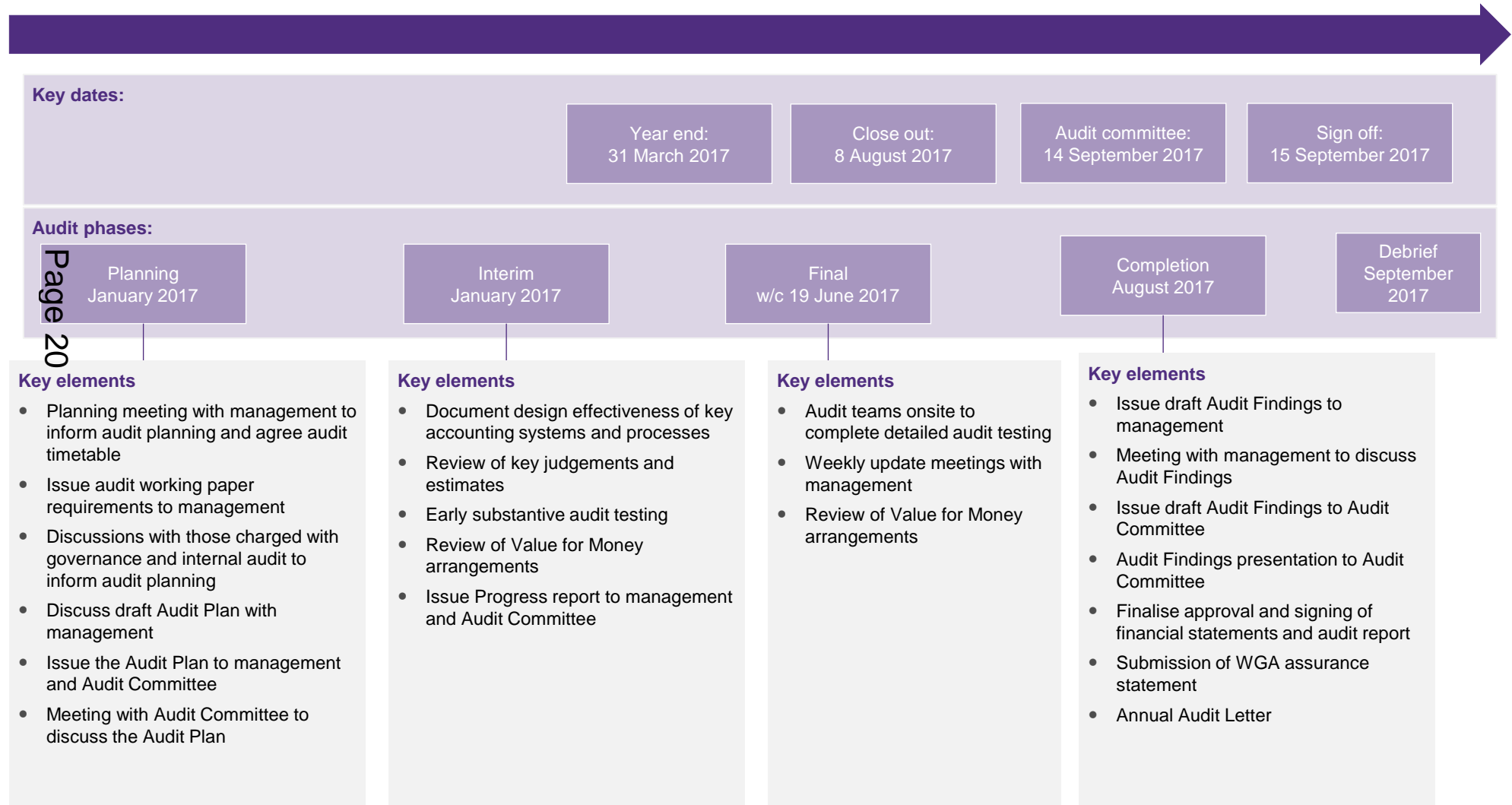
	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. This included the areas employee remuneration and operating expenses.</p> <p>In line with the prior year, our work has identified that for authorisations of changes to payroll data, signatures are not checked against an authorised signatory list. The effect of this is payroll data can be amended without the proper authorisation and inappropriate changes to the system could be made. The Council introduced a programme of sample checks to authenticate permanent pay transactions. We are in the process of reviewing these checks as part of our audit.</p>	Our work has not identified any significant weaknesses which impact on our audit approach.
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first eight months of the financial year, by extracting 'unusual' entries for further review. For the journals reviewed, all were independently authorised by officers apart from one type of reversing journal . We have received assurances that this type of journal will not impact the final accounts. We understand that the Council have implemented control checks for this type of journal following our findings and these are now in in place.</p>	Our work has not identified any significant weaknesses in relation to journal entry controls, however improvements can be made with regard to having checks for one particular type of journal. We have raised a recommendation in relation to this finding.

Results of interim audit work (continued)

	Work performed	Conclusion
<p>Early substantive testing</p>	<p>We undertaken early substantive testing in the following areas:</p> <ul style="list-style-type: none"> • Payroll – trend analysis for the first nine months of the year and transaction testing of a sample of payroll items. • Operating expenditure – substantive test of a sample of transactions from the first eight months of the year. • Other fees and charges income - substantive test of a sample of transactions from the first eight months of the year. • Review of grant income received to date. • PPE – substantive testing of a sample of capital expenditure transactions, existence testing on a sample of assets in the Fixed Asset Register and review of asset disposals. • Journals- complete detailed testing on journal transactions recorded for the first eight months of the financial year, by extracting 'unusual' entries for further review. 	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	105,281
Total audit fees (excluding VAT)	105,281

We are also currently carrying out challenge work in relation to the 2015/16 audit having received an objection from an elector in relation to the Council's payments to Devon Partnership NHS Trust under the Care Act 2014. The fee will depend on the amount of work necessary to complete this and will be reported when finished.

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Regular sector updates
- Constructive feedback on your people, your processes and your business plan
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency
- Annual technical updates for members of your finance team
- Regular Audit Committee Progress Reports

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence.

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 Auditing Practices Board's Ethical Standards and we 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 Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Devon County Council. The following audit related and non-audit services were identified for the Council for 2016/17:

Fees for other services

Service	Fees £	Outputs
Audit related		
Grants claims	11,900	Certification of Teachers Pension return. Reasonable Assurance Reports for SCITT claims and Certification of Local transport major plan
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 (and Grant Thornton International Limited network member Firms) in the current financial year. Full details of all fees charged for audit and non-audit 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.

The above services are consistent with the Council's policy on the allotment of non-audit work to your auditors.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As an auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓

Appendix 1: Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response
1	All large journals should be reviewed and authorised by a separate individual regardless of type.	Medium	Management have confirmed that the IT issue with the authorisation of the one specific type of journal in question has been resolved.

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EXTERNAL AUDIT – AUDIT PLAN FOR DEVON PENSION FUND 2016/17
Report provided by Grant Thornton via the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee notes the attached report.

1. The attached report, provided by the Council's External Auditors (Grant Thornton), sets out the planned approach for the audit of Devon Pension Fund for the year ended 31 March 2017.

Mary Davis
Electoral Divisions: All
Local Government Act 1972
List of Background Papers

Contact for Enquiries:

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Background Paper: None

The Audit Plan for Devon Pension Fund

Year ended 31 March 2017

16 March 2017

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Devon Pension Fund
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16 March 2017

Dear Members of the Audit Committee

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Audit Plan for Devon Pension Fund for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance (in the case of Devon Pension Fund, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Fund and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to give an opinion on the Fund's financial statements.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

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. In particular we cannot be held responsible to you for reporting all of the risks which may affect the Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Elizabeth Cave

Engagement Lead

Chartered Accountants

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Understanding your business and key developments

Developments

Investment Regulations

The new investment regulations came into force on 1 November 2016 and require administering authorities to publish new Investment Strategy Statements by 1st April 2017. The statement must be in accordance with guidance issued by the Secretary of State and include a variety of information. This will include the authority's assessment of the suitability of particular investments and types of investments, the authority's approach to risk, including the ways in which risks are to be measured and managed and the authority's approach to pooling investments, including the use of collective investment vehicles and shared services. These regulations also provide the Secretary of State with the power to intervene in the investment function of a fund if he/she is satisfied that the authority is failing to act in accordance with the regulations.

Triennial actuarial valuation of the fund

The results of the triennial review have now been reported. Overall the funding level has slightly improved from the date of the last valuation. Members will need to consider the outcome of this review and the impact this will have on the fund in future investment decisions.

Local developments

The continued work on the implementation of the Fund's approach to the Governments pooling agenda is a key theme during the year for the Pension Board.

Key challenges

Pooling Governance

Arrangements for pooling of investments continue to develop, with DCLG expecting administering authorities to be transferring liquid assets from April 2018. The structure and governance of these arrangements will need to be implemented before this date. These arrangements are likely to have a significant impact on how the investments are managed, who makes decisions and how investment activities are actioned and monitored. Although much of this operational responsibility will move to the investment pool operator, it is key that administering authorities (through Pension Committees and Pension Boards) continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements.

Local progress

The Council is one of ten partners developing a newly established pooling arrangement, the Brunel Pension Partnership.

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

The main change to the Code for Pension Funds is the extension of the fair value disclosures required under the Code from 2016/17.

The greatest impact is expected to be for those Funds holding directly owned property and/or shares and Level 3 investments. These are reflected in CIPFA's pension fund example accounts alongside further changes including an analysis of Investment Management expenses in line with CIPFA's Local Government Pension Scheme Management Costs guidance, a realignment of investment classifications, and an additional disclosure note covering remuneration of key management personnel which has been included in related party transactions.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year. This will impact not only upon the production of the Fund accounts but also on earlier requests for information from employers within the Fund.

Local progress

We have discussed the requirements of the Code with Council officers, who have plans in place to deal with the new disclosure requirements. The Council successfully prepared its Pension Fund financial statements by the earlier deadline in 2015/16 and plans to do so again this year.

Our response

- We will continue to discuss with officers their plans for asset pooling and the implications that this will have on both the investment policy and governance arrangements of the fund.
- We will discuss with officers their plans to respond to these changes and consider the impact on the fund's investment strategy and its risk management approach to investments.
- We aim to complete all our substantive audit work of your financial statements by 31st August 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the changes in the 2016/17 Code

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. 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. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Fund. In line with previous years, we have calculated financial statements materiality based on a proportion of net assets for the Fund. For purposes of planning the audit we have determined overall materiality to be £33,724k (being 1% of (forecast) net assets). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £1,686k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Management expenses	Due to public interest in these disclosures.	£300,000
Related party transactions	Due to public interest in these disclosures and the statutory requirement for them to be made.	£25,000

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; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment 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.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams 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 Devon Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Devon Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Devon Pension Fund.</p>
Management over-ride of controls	<p>Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. <p>Further work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management. • Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation. • Review of unusual significant transactions.

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315) . In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
<p>Level 3 Investments Valuation is incorrect</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 35</p>	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • We will update our understanding of your process for valuing level 3 investment through discussions with relevant personnel from the Pension Fund • We will perform walkthrough tests of the controls identified in the process. • For a sample of investments, test valuations by obtaining and reviewing the audited accounts at latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciliation of those values to the values at 31st March with reference to known movements in the intervening period. • Review the qualifications of the fund managers as experts to value the level 3 investments at year end and gain an understanding of how the valuation of these investments has been reached. • To review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments. • Review the competence, expertise and objectivity of any management experts used.

Other risks identified

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

Reasonably possible risks	Description of risk	Audit procedures
Investment values – Level 2 investments	Valuation is incorrect (Valuation net)	<p>Work planned:</p> <ul style="list-style-type: none"> We will review the internal financial controls relating to investment valuations and perform a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances. Test a sample of level 2 investments to independent information from custodian/manager on units and on unit prices.
Contributions	Recorded contributions not correct (Occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to contributions and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. <p>Further work planned:</p> <ul style="list-style-type: none"> Controls testing over occurrence, completeness and accuracy of contributions Complete an analytical review and rationalise contributions received with reference to changes in member body payrolls and numbers of contributing pensioners to ensure that any unexpected trends are satisfactorily explained.

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Other risks identified (continued)

Reasonably possible risks	Description of risk	Audit procedures
Benefits payable	Benefits improperly computed/claims liability understated (Completeness, accuracy and occurrence)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to benefits payable and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. <p>Further work planned:</p> <ul style="list-style-type: none"> Controls testing over, completeness, accuracy and occurrence of benefit payments Test a sample of individual pensions in payment by reference to member files (months 1 to 12). Complete an analytical review and rationalise pensions paid with reference to changes in pensioner numbers and increases applied in the year to ensure that any unusual trends are satisfactorily explained.
Member Data	Member data not correct. (Rights and Obligations)	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the internal financial controls relating to member data and performed a walkthrough to gain assurance that the in-year controls were operating in accordance with our documented understanding. <p>Further work planned:</p> <ul style="list-style-type: none"> Controls testing over annual/monthly reconciliations and verifications with individual members. Sample testing of changes to member data made during the year to source documentation (months 1 to 12).

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description	Audit approach
Investment Income	Investment activity not valid. Investment income not accurate. (Occurrence and accuracy)	<p>Work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances
Investment purchases and sales	Investment activity not valid. Investment valuation not correct. (Occurrence and accuracy)	<p>Work planned:</p> <ul style="list-style-type: none"> We will review the reconciliation of information provided by the fund managers, the custodian and the Pension Fund's own records and seek explanations for variances

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"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Going concern

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

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 the previous sections but will include:

- Administrative / Management Expenses
- Profit and Loss on Disposal of Investments and Changes in Market Value of Investments
- Cash at Bank
- Investments – level 1 investments (as level 2 and 3 covered above)
- Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits
- Financial Instruments

Results of interim audit work

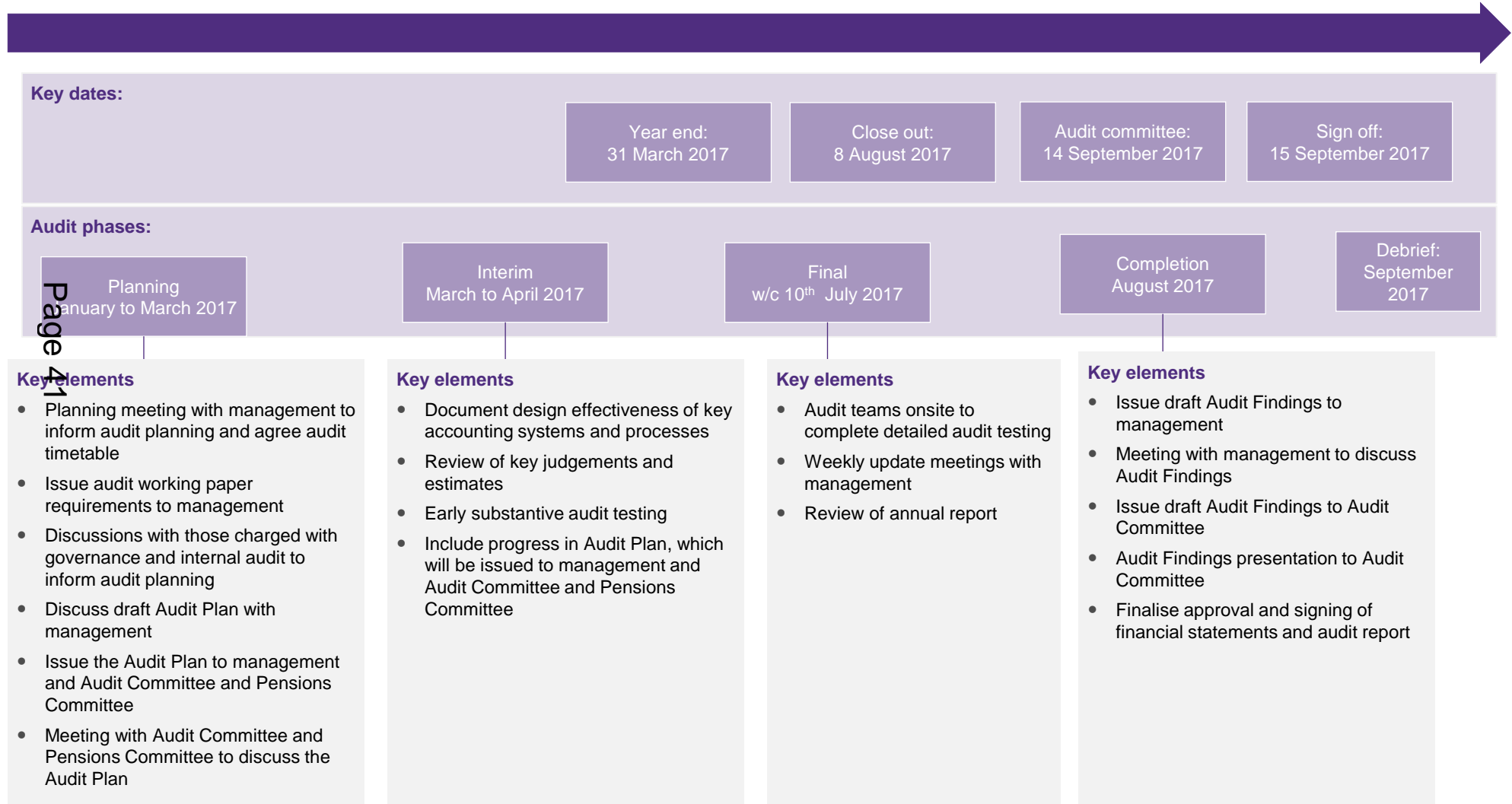
The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

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

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The audit cycle

The audit timeline



Audit Fees

Fees	
Total audit fees (excluding VAT)	£28,603

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Fund and its activities, have not changed significantly
- The Fund will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Fees for other services

We have not undertaken any additional services for Devon Pension Fund in 2016/17, but should this change we will report this to you through our update reports and/or Audit Findings Report.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Technical briefings and updates
- Regular contact to discuss strategy and other important areas
- A review of accounting policies for appropriateness and consistency

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence. In this context, we disclose the following to you:

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 Auditing Practices Board's Ethical Standards and we 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 Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Fund.

Respective responsibilities

As an auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Fund's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Fund's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Fund 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 Fund is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



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EXTERNAL AUDIT – AUDIT COMMITTEE DCC PROGRESS REPORT AND UPDATE

Report provided by Grant Thornton via the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee notes the attached report.

1. The attached report, provided by the Council's External Auditors (Grant Thornton) outlines the proposed timetable and stages of the 2016/17 audit. The paper also includes a summary of emerging national issues and developments.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

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Background Paper: None

Audit Committee
Devon County Council
Progress Report and Update
Year ended 31 March 2017

Page 47
March 2017

Elizabeth Cave

Director

T 0117 305 7885

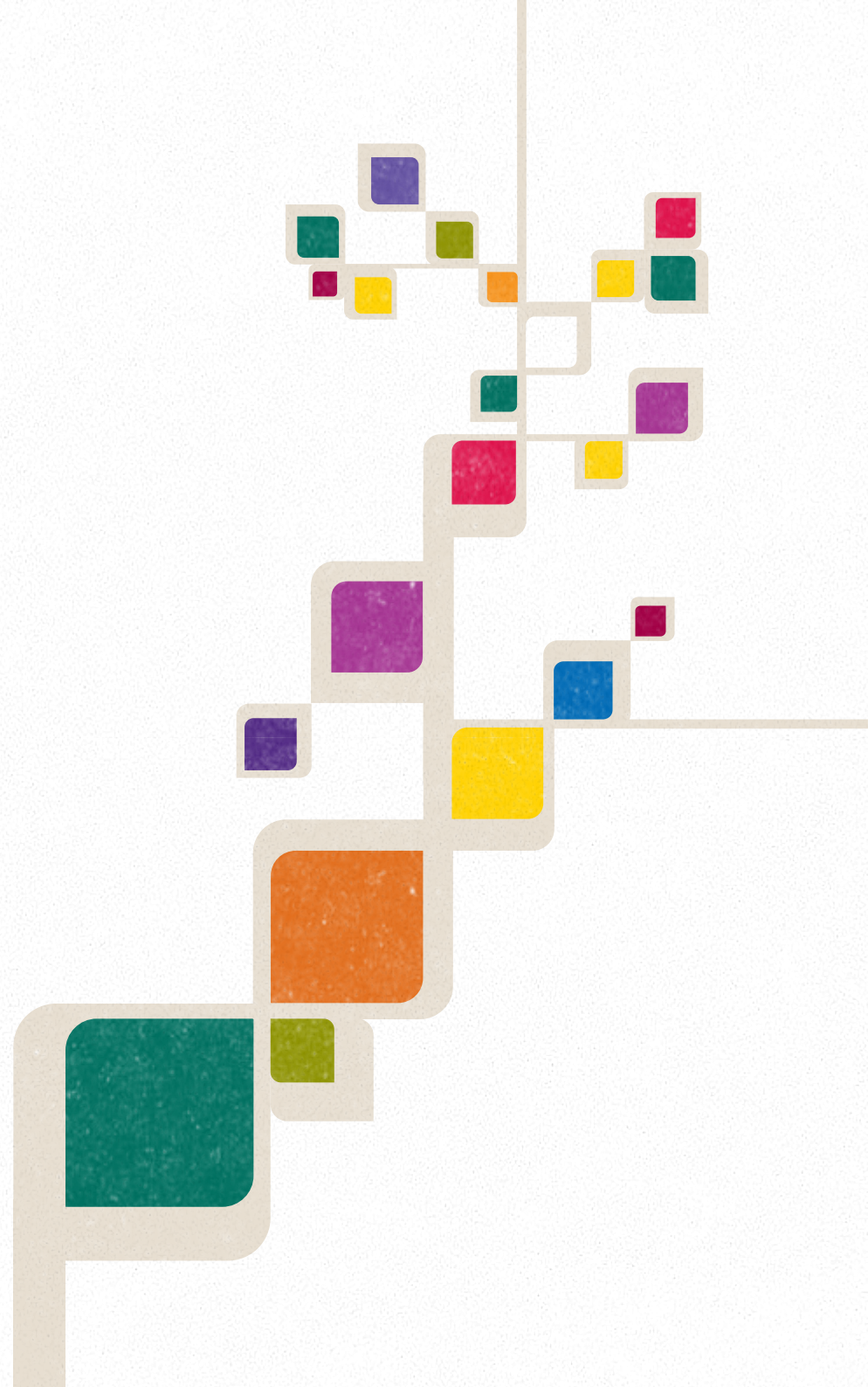
E liz.a.cave@uk.gt.com

Andrew Shaw

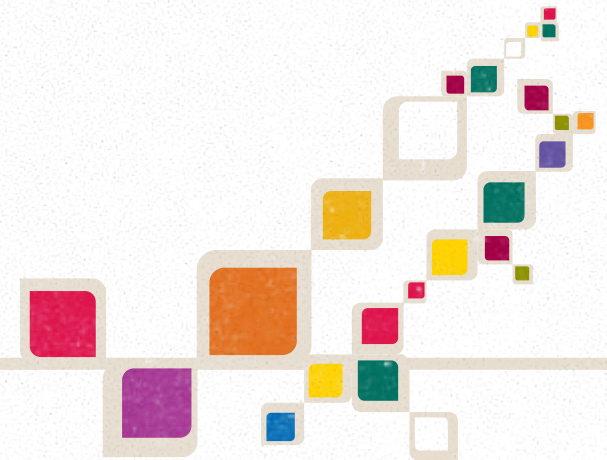
Manager

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



Introduction

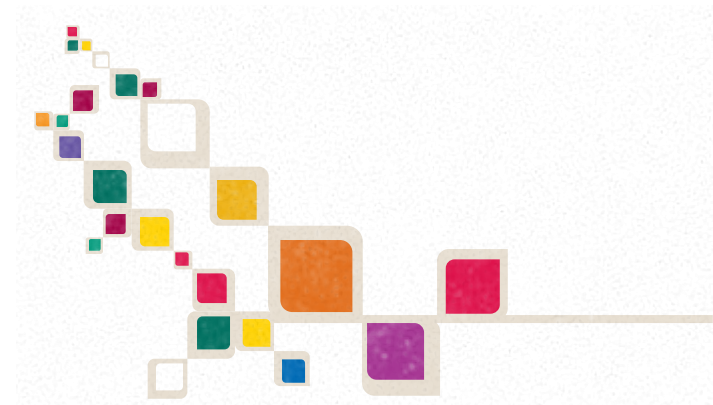
This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

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

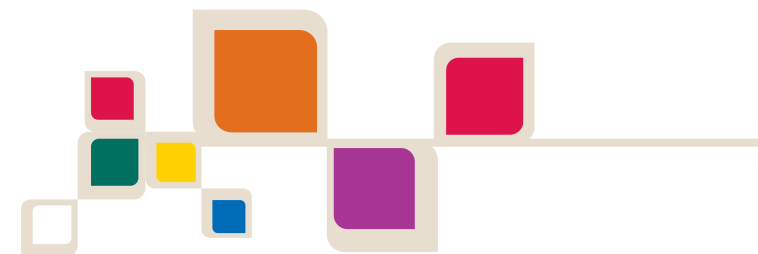
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthornton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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.

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

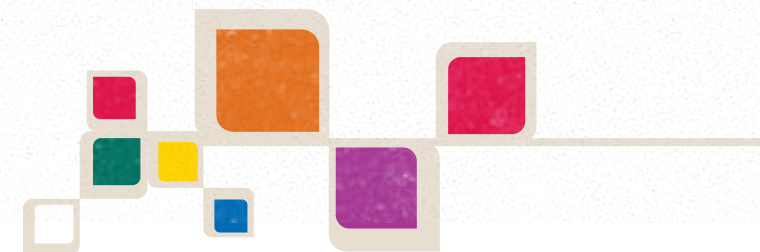


Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Fee Letter We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016</p>	April 2016	Yes	
<p>Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements.</p>	March 2017	In progress	We issued the audit plan which is to presented at this Audit Committee meeting.
<p>Interim accounts audit Our interim fieldwork visit plan included:</p> <ul style="list-style-type: none"> • updated review of the Council's control environment • updated understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • Value for Money conclusion risk assessment. 	January to March 2017	Yes	We completed our interim work in line with plan and report the results of this work to the Audit Committee at this meeting.

Progress at March 2017



2016/17 work	Planned Date	Complete?	Comments
<p>Final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2016/17 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion • review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 	<p>March to August 2017</p>	<p>Not started</p>	<p>Our final accounts audit and VFM work is to be carried out and audit to be completed.</p>
<p>Value for Money (VfM) conclusion The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. 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:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 	<p>March to July 2017</p>	<p>In progress</p>	<p>We will consider the potential significant risks for our VfM conclusion and carry out key document reviews and interviews to inform our conclusion.</p>

Technical Matters

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Highways network asset

At its meeting on March 8th, the CIPFA/LASAAC Code Board decided not to proceed with the introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities. The Board decided that, currently and in particular in the absence of central support for key elements of the valuation, the benefits are outweighed by the costs of implementation for local authorities. The Board determined that it will give further consideration to this issue only if provided with clear evidence that benefits outweigh costs for local authorities.

Delivering Good Governance

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In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Sector issues and developments

Page 54



Local Government Finance Settlement

The final local government settlement for 2017/18 was published on 20 February. The settlement reflects the Government's aim that all councils will become self funding, with central government grants being phased out. This is year two of the four year offer, which has been accepted by 97% of councils.

There is an expectation that councils will continue to improve efficiencies with measures including further developments in digital technology, new delivery models and innovative partnership arrangements.

100% business rates retention

The announcement has an increased focus on business rates, with the expectation that by the end of the current Parliament, local government will keep 100% of the income raised through business rates. The exact details of the reforms are yet to be determined. This includes confirming which additional responsibilities will be devolved to local government and funded through these retained rates. Pilots of the reforms are taking place across the country from April 2017.

The results of a recent Municipal Journal survey *2017 State of Local Government Finance* have recently been published. http://downloads2.dodsmonitoring.com/downloads/Misc_Files/LocalGovFinance.pdf

Respondents expressed concern about the lack of detail in the proposals, uncertainty around equalisation measures and the scale of appeals.

Nearly 50% of Councils responding believe they will lose from the transition to 100% retention of business rates. Views were evenly split as to whether the proposals would incentivise local economic growth.

Social Care Funding

Funding allocations reflect increased funding of social care with a stated £3.5 billion of funding for social care by 2019/2020.

In this year's settlement £240 million of new homes bonus has been redirected into the adult social care grant. In addition councils are once again be able to raise the precept by up to 3% for funding of social care.

Recognising that funding is not the only answer, further reforms are to be brought forward to support the provision of a sustainable market for social care. There is an expectation that all areas of the country move towards the integration of health and social care services by 2020.

Paul Dossett Head of Local Government in Grant Thornton LLP has commented on the Government proposals for social care funding (see link for full article).

"The government's changes to council tax and the social care precept, announced by the Secretary of State for DCLG as part of the latest local government finance settlement, will seem to many as nothing more than a temporary fix. There is real concern about the postcode lottery nature of these tax-raising powers that are intended to fund our ailing social care system."

"Our analysis on social care shows that the most deprived areas in the UK derive the lowest proportion of their income from council tax."

"Conversely, more affluent areas collecting more council tax will potentially receive a bigger financial benefit from these measures."

"Our analysis shows that the impact and effectiveness of the existing social care precept is not equal across authorities. So any further changes to tax raising powers for local government will

National developments

"Social care precept changes will not help those living in more deprived areas"

"The UK has a long tradition of providing care to those who need it most. If that is to continue, the government must invest in a robust social care system that can cater for all based on needs and not on geography. From a taxpayer's perspective this is a zero sum game. For every £1 not invested in social care, the cost to the NHS is considerably more"

not tackle the crisis of social care in our most disadvantaged communities and arguably make only make a small dent in the cost demands in our more affluent communities."

Links:

<https://www.gov.uk/government/speeches/final-local-government-finance-settlement-2017-to-2018>

<http://www.grantthornton.co.uk/en/news-centre/local-government-financial-settlement-comment-social-care-precept-changes-will-not-help-those-living-in-more-deprived-areas/>

<http://www.grantthornton.co.uk/en/insights/council-tax-alone-wont-solve-the-social-care-crisis/>

Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

- having a responsible investment strategy
- reporting to employers and members

Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

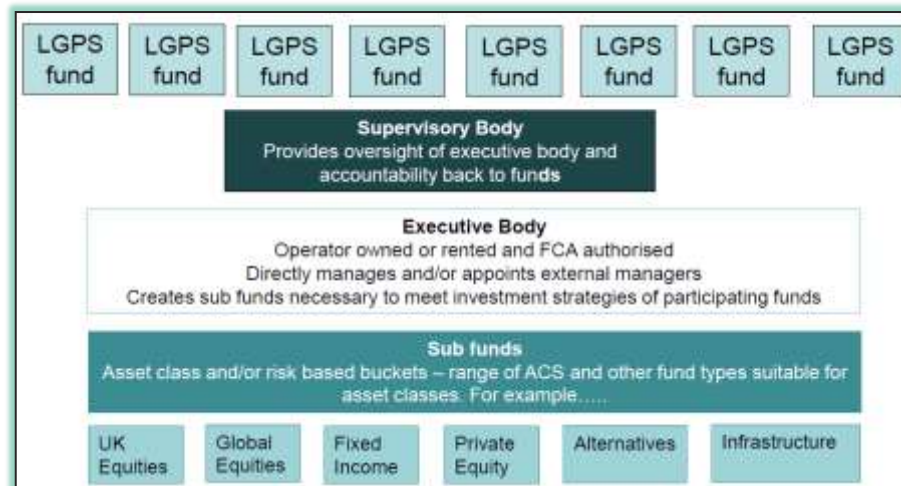
CIPFA in the recent article *Clear pools: the future of the LGPS* highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

National developments

Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:
<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool

Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

Page 57 They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:

- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.

CIPFA Publications

Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



Grant Thornton

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Apprentice Levy-Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on paybill in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors.

Paybill will be calculated based on total employee earnings subject to Class1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Paybill: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider-team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Off-payroll working and salary sacrifice in the public sector

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RTI submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “*consistency, certainty and simplicity*”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

Grant Thornton update

Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer - particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a 'bespoke deal'. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Grant Thornton update

For regular updates on Brexit, please see our website:

<http://www.grantthornton.co.uk/en/insights/brexit-planning-the-future-shaping-the-debate>

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



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INTERNAL AUDIT PLAN FOR 2017/18 Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee agrees the Internal Audit Plan for the year 2017/18

1. One of the responsibilities of the Committee is for “focusing audit resources, by agreeing the audit plans and monitoring delivery of the audit service”. The programme of internal audit work for the financial year 2017/18 is described in detail in a report available separately.

2. The key objectives of Internal Audit in the plans are:

to provide assurance to the County Treasurer (as the Section 151 “responsible officer”), Audit Committee and to other directors and members, on the adequacy and security of those systems on which the County Council relies for its internal control (the “control environment”);

to provide advice and assurance to managers and staff within the client directorates.

3. The planning process takes place with those clients towards the end of each financial year, resulting in an updated risk-based annual plan for the coming year. The risk-based audit work planned for 2017/18 is linked through the corporate and service risk registers to risks related to the achievement of the Council’s strategic objectives, as defined in the Strategic Plan. This is explained in more detail in the separate summary report.

4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils.

5. Future meetings of the committee will receive half-yearly and annual reports summarising performance against the plans and key findings from reviews.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 382437 Dart Suite, Larkbeare House, Topsham Road, Exeter.

Background Paper: None



devon **audit** partnership

Internal Audit

Internal Audit Plan 2017/18

Devon County Council
Audit Committee

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March 2017

Not Protectively Marked

Robert Hutchins
Head of Audit Partnership



Auditing for achievement

CUSTOMER
SERVICE
EXCELLENCE



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

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council the role of the Board within the Standards is taken by the Council's Audit Committee and senior management is the Council's Leadership Group. The Audit Committee, under its Terms of Reference contained in the Council's Constitution, is required to consider 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 County Treasurer (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 2017/18.

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 - Adult Care and Health; Children's Services; Communities, Public Health, Environment and Prosperity; Corporate Services; Highways, Infrastructure Development and Waste

Adult Care and Health

Audits within this area include three reviews regarding recommissioning: (Residential & Nursing Care along with the Supporting Independence and Caring Well at Home procurements) with the aim of providing assurance that such recommissioning exercises will have a beneficial impact on sufficiency, quality and activity / cost / spend. The scope for the Short Term Interventions audit links to the risk register concern of underdeveloped short term service solutions leading to increased demand for long term services adversely impacting on costs. The review of Spend on Individuals will seek to ascertain what the authority spends on service users individually and in aggregate, ensuring practitioners are aware of all SLAs applicable and no duplication of SLAs exists for different service types meeting the same need.

Children's Services

Work within Children's Services will include how Devon works with the district councils in tackling homelessness amongst 16/17 year olds looking at how the protocols and practices implemented are working in practice and their compliance with legislation. The audit review upon Legal Care Proceedings has also been requested by both Plymouth City Council and Torbay Council and it is hoped a joint piece of work can be undertaken allowing best practice between authorities to be shared.

Communities, Public Health, Environment and Prosperity

Our work with regard Domestic Homicide Reviews along with Channel and Prevent will consider where these functions sit within the authority. Channel and Prevent form part of the government's counter terrorism strategy aiming to stop people being drawn into or supporting terrorism. The cost effectiveness of spend within the Young People's Substance Misuse

Service will be reviewed; this will assist in informing the commissioning plan for the 2018/19 public health grant.

Within Environment, audit work will look at Total Transport to review how the £40m Devon spends within this area works with and links to that provided by employers and the health, education and voluntary sectors.

The Learn Devon enrolment process will be reviewed from three possible entry points; website, phone or centre visit. Administrative processes and IT matters will be reviewed along with payment methods available for persons enrolling with the aim of seeking possible improvements to the enrolment process and learner journey.

Corporate Services

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.

In addition to work on material systems, our work will include various other specific functions and projects within Human Resources, Payroll and Finance, and support to major system developments in relation to the new Payment Gateway and the HRMS.

Highways, Infrastructure Development and Waste

A range of audits from across Highways, Infrastructure Development and Waste are included in 2017/18 plan. Audits relating to the risk register areas of 'Failure to maintain C class and unclassified roads effectively' and 'Shared savings (Waste)' have been requested; the latter audit will provide assurance upon the value of disposal costs shared with the district councils. The review of civil parking enforcement (CPE) will look at whether there is any link between the level of formal complaints received and CPE staff behaviour.

Value Added

We will undertake the annual follow up on all audit areas identified as 'Improvements Required' or 'Fundamental Weaknesses' in 2016/17. Work will be undertaken upon the data matching reports received at the end of January 2017 from the authority's participation in the National Fraud Initiative exercise.

Service Area Overview of Audit Coverage					Major Projects	Value Added	
69 e6ed Thematic Overview Audit Coverage	Adult Care & Health	Children's Services	Communities, Public Health, Environment & Prosperity	Highways, Infrastructure Development and Waste			
	Safeguarding	Placement Stability	Channel & Prevent	Exeter EFW Plant		Tax Compliance Forum	
	Practice Quality Review	Legal Care Proceedings	Domestic Homicide Reviews	Shared Savings (Waste)		Teachers' Pensions Return	
	Preparing for Adulthood Strategy	Homelessness in 16/17 year olds	Young People's Substance Misuse Service	Infrastructure	Online Payments Gateway	Corporate Risk Management Group (CRMG)	
	Outcomes Based Commissioning of Personal Care	Preventing adolescents from coming into care	Careers South West	Highways	HR Management System	Fraud Prevention and Investigation	
	Promoting Independence	Children Asylum Seekers	Total Transport	Civil Parking Enforcement		National Fraud Initiative	
	Assistive Technology	SEN - High Needs Funding	Learn Devon	Effective maintenance of C class and unclassified roads		Advice	
	Management Information	Schools & SFVS	Industrial Estate Portfolio	Footway maintenance		Audit Follow Up	
	Business Processes & Governance - Ethics & Culture, Payroll & HR functions, Budgeting System, VAT, Procurement, Supplier Resilience, Contract Lifecycle, Grant Certification, Audit Assurance Planning & Reporting, and other Related Bodies.						
	Key Financial Systems (Material Systems) - Bank Reconciliation, Creditors, Debtors, Finest System Admin, Fixed Asset Register, Income Collection, Main Accounting System, Payroll, Treasury Management.						
ICT - Service Strategy, Service Transition, Service Operation, Service Design							

The elements proposed for audit for the coming year are those identified through risk assessment and discussion with Senior Management. This overview is supported by the proposed audit reviews and associated risks.

High Level Audit Plan 2017/18

This table shows a summary of planned audit coverage for the year totalling 1,060 direct days. It should be borne in mind that, in accordance with the Public Sector Internal Audit Standards, the plan needs to be flexible to be able to reflect and respond to the changing risks and priorities of the Authority and, to this end, it will be regularly reviewed with directorates, and updated as necessary, to ensure it remains valid and appropriate. As a minimum, the plan will be reviewed in six months to ensure it continues to reflect the key risks and priorities of the Council given the significant changes across the public sector.

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.

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Core Activity for Internal Audit Review	Coverage in Days
Material Systems	110
Corporate Services - (Excluding Anti-Fraud & NFI)	193
Adult Care and Health	185
Children's Services	90
Communities, Public Health, Environment and Prosperity	105
Digital Transformation and Business Support	102
Highways, Infrastructure Development and Waste	76
Grant Certification	44
Anti-Fraud and Corruption including NFI	100
Other Chargeable Activities	55
Total internal audit plan for Devon County Council	1060
Schools (estimated)	281

Proposed audit reviews and associated risks

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

ANA - Audit Needs Assessment risk level

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)	
Material Systems					
Core Assurance - Key Financial System *					
Payroll	ANA - High	* A rolling programme of audits is adopted for material systems whereby although the planned days are 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.	Sample testing	Q2	19
Debtors / Debt Recovery	ANA - Medium		Walkthrough / sample testing	Q4	15
Bank Reconciliation	ANA - Medium		Sample testing	Q3	8
Fixed System administration	ANA - Low		Walkthrough	Q4	9
Creditors	ANA - Medium		Sample testing	Q4	15
Fixed Asset Register	ANA - Low		Sample testing	Q3	7
Income Collection	ANA - Medium		Walkthrough / sample testing	Q3	12
Treasury Management	ANA - Low		Sample testing	Q2	8
Main Accounting System	ANA - Medium		Walkthrough / sample testing	Q4	12
Advice, planning, monitoring and performance reporting			Q1-4	5	
Corporate					
Finance - New Payments Gateway	ANA - Low; client request	Input including in relation to control considerations as the project progresses from the procurement to the development through to implementation stages.	Q1-4	15	

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Finance - Construction Industry Scheme	ANA - Low; client request	Review operation of the scheme, included at the request of the VAT team. More detailed scope to be determined nearer the time.	Q1 or 2	10
Finance - Tax Compliance Forum	ANA - Medium; client request	Input to Forum and contingency to allow for projects that arise from meetings. Agreed as a result of HMRC visit October 2014 and changes to their auditing of tax.	Q1-4	5
Finance - Usage of new Budget Monitoring System	ANA - Medium; client request	Review of usage of new Collaborative Planning system. More detailed scope to be determined nearer the time.	Q1 or 2	10
Finance - Accounting for VAT (People)	ANA - Medium; client request	Review partnership working processes and practices, in regard to financial arrangements for accounting for VAT, in respect of partnerships within the People service area (further to a 2016-17 audit which was largely focused on Place service area partnerships). Audit included at the request of the DCC Tax Compliance Group.	Q2	15
HR - Mini temp banks operating outside of HR	ANA - Medium; client request	Review on whether services outside of HR One who run their own 'temp banks' are complying with corporate requirements and relevant legislation. More detailed scope to be determined nearer the time.	Q1 or 2	10
HR - Off Payroll working	ORR ANA - Low; client request	Application of regulations /guidance relating to off-payroll workers which it is understood is due to come into effect in April 2017. Including tax implications thereof.	Q3 or 4	10
HR - New recruitment process	ANA - Low; client request	Review of the new 'systems thinking' recruitment process once embedded. This audit is requested to test/provide assurance in relation to new processes implemented.	Q2 or 3	10
HR - New electronic leaver process	ANA - Low; client request	Review of the new electronic leaver process once embedded. This audit is requested to test/provide assurance in relation to new processes implemented.	Q2 or 3	10
HR - Redundancy / exit cap changes	ANA - Low; client request	Review application of government framework relating to exit cap changes and 'clawback' of redundancy compensation where applicable. Including tax implications thereof.	Q3 or 4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
HR - Consultants / Interims and employment status	ORR ANA - Medium; client request	Further to the 2016-17 audit follow-up. A more detailed scope to be determined nearer the time.	Q2	10
HR - New HRMS	ORR ANA - High; client request	Input including in relation to control considerations as the project progresses from the procurement to the development through to implementation stages.	Q1-4	20
HR - DBS Update Service	ORR ANA - Medium; client request	Review application of the Disclosure and Barring Service (DBS) process, taking account the changes for people who have signed up to the update service.	Q3	10
Payroll - Teachers Pension Return	ANA - Medium; client request	Support Payroll team in preparation for certification by GT.	Q3 or 4	5
Payroll - Apprenticeship Levy	ANA - Low; client request	Application of regulations and guidance relating to payment of an apprenticeship levy, which it is understood is due to come into effect in April 2017 where applicable. Including tax implications thereof.	Q4	10
Payroll - Online Adjustments (Earlier Year Updates)	ANA - Medium; client request	Review of the new 'streamlined' process relating to on-line Payroll adjustments which incorporates a check of Earlier Year Updates (EYU) data balances.	Q3 or 4	10
Ethics & Culture	ANA - Medium	Scope to be determined.	Q1	10
Advice, planning, monitoring and performance reporting			Q1-4	13
Adult Care and Health				
Adult Care Operations and Health				
Safeguarding	ANA - Medium; client request	To assure changes to safeguarding process and practice in the safeguarding and wider care management function have been successfully implemented: <ul style="list-style-type: none"> • Have we implemented everything from the independent 	Q1	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		report by David Taylor? <ul style="list-style-type: none"> Are we compliant with ‘Making Safeguarding Personal’? 		
Practice Quality Review	ANA - Low; client request	To assure that the Practice Quality Review process is embedded and having an impact: <ul style="list-style-type: none"> Are managers and staff complying with Practice Quality Review? Are the right practice standards being assessed? Is the assessment of managers consistent? Is feedback given to individuals? Are lessons learned leading informing senior management decision making? 	Q1	15
Forecasting future spend on adult social care for cases in transition	ANA - Low; client request	To assure that the future impact of cases in transition from Children’s Services is quantified, accurately built into financial planning and monitoring processes. <ul style="list-style-type: none"> Are cases in transition identified and communicated early enough? Is their potential future financial impact quantified? Does this inform financial planning? Does this inform financial monitoring? To include any relevant learning from Plymouth and Torbay. This should inform the subsequent audit of implementation of the ‘Preparing for Adulthood’ strategy.	Q1	15
Preparing for Adulthood Strategy	ANA - Low; client request	To assure that the ‘Preparing for Adulthood’ strategy and action plan are being implemented: <ul style="list-style-type: none"> Does the new SEND strategy incorporate ‘promoting independence’ and ‘preparing for adulthood’ as priorities? Is practice in Children’s Services changing accordingly? Is practice in Adult Services changing accordingly? 	Q2-3	15

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		Is the transition from Children’s Services to Adult Services better managed?		
Services for people with sensory disabilities	ANA - Medium; client request	To assure that current arrangements for meeting the needs of people with sensory disabilities are fit for the future: <ul style="list-style-type: none"> • What are the arrangements for the care management of and provision of support to people with sensory disabilities? • How do these work if people have sensory disabilities and other needs? • Does it achieve good outcomes? Is spend on the service proportionate to population need and equitable compared with other client groups?	Q2-3	10
Promoting Independence	ANA - Low; client request	To assure that ‘promoting independence’ is a whole council initiative: <ul style="list-style-type: none"> • Has the council’s ‘promoting independence’ policy informed the strategy and planning of all relevant parts of the council: health and care, public health, communities, communications? • Does the council’s ‘promoting independence’ strategy articulate how the whole council and its partners should put this policy into practice? Is the strategy being successfully implemented through the ‘promoting independence’ programme?	Q2-3	10
Independent Reviews	ANA - Low; client request	To assure that the business case for investing in external case review capacity is sound in practice: <ul style="list-style-type: none"> • Was the business case the procurement was based on reasonable? • Did the procurement process lead to a solution that met the requirement laid out in the business case? • Did the external review capacity undertake the required number of reviews? 	Q3-4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		<ul style="list-style-type: none"> Were those reviews undertaken to the specified practice standards? Did those reviews lead to the envisaged financial benefits? Is there a business case for extending the arrangement?		
Spend on individuals	ANA - Medium; client request	To assure that the authority knows who it serves and what it spends on them individually and in aggregate? <ul style="list-style-type: none"> Is the relationship between people and service agreements on the authority's care management system sound? Are practitioners working with people aware of the service level agreements applying to that person and considering all services received in review? Is the authority's financial and performance monitoring clear in differentiating people and service level agreements and specifying which it is reporting on? Is there any duplication of service level agreements for different service types (eg. direct payments and individualised support) meeting the same need?	Q4	10
Adult Commissioning and Health				
Outcomes Based Commissioning of Personal Care	ANA - High; client request	To assure that there is a business case for the introduction of outcomes-based commissioning through the Living Well at Home contract for the provision of domiciliary care: <ul style="list-style-type: none"> Is there an evidence-based business case? Is the relationship with lead providers enabling of this business case? Is the business case being delivered in practice?	Q2-3	15
Recommissioning of Residential and Nursing Care	ANA - Medium; client request	To assure that the recommissioning of residential and nursing care for older people will have a beneficial impact on sufficiency, quality and	Q1-2	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		activity/cost/spend: <ul style="list-style-type: none"> • Has an options analysis been undertaken that considers all options? • Is it based on evidence from other authorities? • If a dependency tool approach is taken is it aligned with tools used in care management and by providers? • Does it increase or decrease risks regarding sufficiency, quality and cost? • Does it enable outcomes-based commissioning of residential/nursing care? 		
Page 77 Recommissioning of unregulated care through the Supporting Independence Procurement	ANA - Low; client request	To assure that the recommissioning of unregulated care will have a beneficial impact on sufficiency, quality and activity/cost/spend: <ul style="list-style-type: none"> • Is the scope clear, with unregulated care being less easily defined than regulated care? • Has an options analysis been undertaken that considers all options? • Is it based on evidence from other authorities? • If a dependency tool approach is taken is it aligned with tools used in care management and by providers? • Does it increase or decrease risks regarding sufficiency, quality and cost? Does it enable outcomes-based commissioning of residential/nursing care?	Q1	10
Caring Well at Home procurement	ANA - Low; client request	To assure that the recommissioning of unregulated care will have a beneficial impact on sufficiency, quality and activity/cost/spend: <ul style="list-style-type: none"> • Is the tender and evaluation process well structured? • Will the outcome increase or decrease risks regarding sufficiency, quality and cost? 	Q1-2	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		<ul style="list-style-type: none"> Will the outcome embed a Promoting Independence approach for carers, improving strengths-based practice in the provider and related care management functions? 		
Page 78 Short Term Interventions	ORR TG30 ANA - Medium; client request	To assure that our plans to better integrate our short-term interventions offer with the NHS and improve access pathways and triage are coherent across the county while being sensitive to partner and place and will have the desired impact of extending their reach and effectiveness: <ul style="list-style-type: none"> Are there plans in place locally and do they cohere across the county? Are they being implemented to plan? Will they lead to an improved offer and improved pathways and triage to ensure the right person receives the right intervention at the right time to maximise their independence? Are they available to all people who would benefit, not just those discharged from hospital or referred by the NHS? Will they reach more people? Will they be more effective at keeping people out of hospital and minimising their reliance on longer-term services?	Q4	10
Assistive Technology	ANA - Medium; client request	To assure that we are taking the opportunities offered by the new DILIS contract by making better use of assistive technology to find cost-effective solutions to people's needs: <ul style="list-style-type: none"> Is the implementation of the DILIS contract realising its potential benefits? Are we changing our practice to make better use of assistive technology solutions? Is this instead of rather than complementary to other solutions?	Q2-3	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Management Information Page 79	ANA - Low; client request	To assure the quality of data used in statutory returns and other key management information products is sufficient to enable insights to be gained by comparing between authorities and over time: <ul style="list-style-type: none"> • Does our not collecting information on every contact limit our understanding of flow through the system through the SALT return? • Does our recording of short-term services enable us to monitor their reach and effectiveness through the SALT return? • Does our current accounting structure enable us to complete the ASC-FR return accurately? • Does our recording practice enable us to track sequences of events? Does our recording practice enable us to manage the risks associated with market sufficiency challenges in personal or residential/nursing care?	Q1	10
Adult Care and Health: Advice, planning, monitoring and performance reporting			Q1-4	10
Children’s Services				
Children’s Social Care				
Children Asylum Seekers	ANA - Medium; client request	Devon will be taking in more children asylum seekers over the next few years. Already taken around 8/10 in recent months. Best practice and arrangements are emerging in Devon. Look at the practices and see if effective. Also review how we deal with outside agencies. Do we have good levels of communication with outside agencies/key contacts such as the NHS.	Q4	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Homelessness in 16/17 year olds	ANA - Low; client request	New protocols being implemented with district councils to tackle homelessness for 16/17 year olds. Review the protocols and practices. Is the guidance working; are practices compliant with legislation (National Legislation).	Q2	10
Legal Care Proceedings (Possible joint audit with Plymouth and Torbay)	ANA - Medium; client request	Legal Care proceedings in child protection cases. The rate of care proceedings in Devon is around double the national average; any reasons why? What is the process, does it comply with quality standards; legislation and regulations. Include role of council's legal service and assess for quality of service.	Q1	15
Placement Stability	ANA - Medium; client request	Looked after children placement stability – review data on children in terms of placements. Are they being moved too often and are they being placed too far away from family and friends. What protocols/practices are in place to ensure placements are monitored and careful consideration is taken before moving a child. Any approval processes? Note what things are considered if thinking of moving a child. Is it enough? Is support put into place prior to the move to make it easier for the child.	Q1	15
Preventing adolescents from coming into care	ANA - Medium; client request	Pilot scheme in North Devon looking at preventing teenagers/adolescents coming into care for the first time. Using North Devon as pilot due to higher rates of adolescents coming into care. Aim is to create different worker roles to provide more varied hours and thus more available staff. Review and document rates of adolescents coming into care throughout the county to see if any other hot spots requiring more prompt attention.	Q3	10
Education and Learning				

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Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
SEN - High Needs Funding	ANA - Medium; client request	Scope to be determined.	Q	20
Children’s Services: Advice, planning, monitoring and performance reporting			Q1-4	10
Communities, Public Health, Environment and Prosperity				
Domestic Homicide Reviews	ANA - Medium; client request	Statutory Duty. Multi Agency Statutory Guidance issued December 2016. The Community Safety Partnership (CSP) takes responsibility for conducting review.	Q3	10
Channel & Prevent	ANA - Medium; client request	Approach to Channel and Prevent; statutory work around counter terrorism and extremism.	Q4	10
Public Health - Core Offer	ANA - Low; client request	The Public Health Team have a mandated duty to provide healthcare public health support to CCG’s to support the wider commissioning agenda. These are known as core offers. Our review will examine how the provision of core offers has changed since new legislation in 2013 moved the Public Health functions to LA’s; ensure core offers are embedded and that access to core offers is timely, at the right level and there is sufficient access.	Q	8
Young People’s Substance Misuse Service	ANA - Medium; client request	Review of spend and its cost effectiveness within Young People’s substance misuse service. To inform the commissioning plan for the 2018/19 Public Health grant.	Q	10
TCS	ANA - Medium; client request	Scope to be determined.	Q2	10
Total Transport	ANA - High; client request	Scope to be determined.	Q1	17
Learn Devon - Enrolment Process	ANA - Medium; client request	Examine the enrolment process from the three possible entry points <ol style="list-style-type: none"> 1. Enrolling through the website 2. Enrolling by phone 	Q1	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		3. Enrolling at a centre To follow the data journey through to the point of the ILR return (Individual Learner Returns - Information about learner data which must be collected and returned in the funding year).		
Careers South West	ANA - Low; client request	Scope to be determined	Q	10
Management of Industrial Estate Portfolio	ANA - Medium; client request	Scope to be determined.	Q	10
CoPHEP: Advice, planning, monitoring and performance reporting			Q1-4	10
Digital Transformation and Business Support				
Service Strategy	ANA - High	To continue to monitor progress against the 2014/15 ICT Strategy Report, superseding where appropriate. To measure progress or fit with the evolving strategy and service delivery model.	Q3-4	8
Service Transition (Change Management)	ANA - Medium	To review transition processes and activities that are not as mature as the now embedded Change Management process.	Q2-3	10
Service Operation - Processes (Incident & Problem)	ANA - High	Use of IDEA to interrogate incident records for patterns and potentially missed 'problems'.	Q1	7
Service Operation - Function	ANA - High	To review operational functions processes that are common to all key financial systems.	Q3-4	12
Cyber Security	ANA - Critical	Programme based on Government Cyber essentials Scheme. Potential to conduct subsequent reviews based on the 'Ten Steps' to include wider and non-technical aspects of cyber security.	Q3-4	8
CareFirst / Eclipse - Social Care Business Systems	ANA - Critical; client request	To provide assurance that changing social care business systems are secure and fulfil business requirements. Themes / considerations - CareFirst to hosted service and implementation of OLM 'Eclipse'; Mobile Working; Health Integration; Data Integrity; Data Security;	Q1-4	12

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
		EDPR.		
Procurement: Contract Management strategy and process.	ANA - High; client request	Holistic type audit; DCC wide. Significantly important, high risk, high profile contracts.	Q2-3	15
Procurement: Resilience of significant / strategic suppliers to ensure service provision in face of Public Sector cuts.	ANA - High; client request	Scope to be determined.	Q1	10
Procurement: Governance protocols in relation to contract award procedures and contract lifecycle.	ANA - High; client request	Review governance protocols; anti-fraud / corruption measures, organised crime, governance and scrutiny.	Q3	10
Advice, planning, monitoring and performance reporting			Q1-4	10
Highways, Infrastructure Development and Waste				
Exeter EFW Plant	ANA - Medium; client request	£7m / annum contract. Audit review required of the annual reconciliation payment made to Viridor and how this is done. Currently leading towards dispute regarding this. Audit view required upon the information Viridor have provided or not provided. Already received Legal and financial advice. Audit view needed on what put forward.	Q1	8
Shared Savings (Waste)	ORR ANA - Medium; client request	Districts reliant on DCC. Open to Audit - share disposal costs with Districts, incentive to work with DCC. Spreadsheet costs compared to what should be.	Q2	6
Infrastructure	ANA - Critical; client request	Significant overspend on construction projects. Have external BSI audit. Big chunky schemes - is it inadequate design, mistakes, technical competence. Possible type of contract and way administer this. External parties and behaviours. GEN 3 Route - Hampshire CC framework shared with other local authorities. Choice of contract used.	Q	10

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Highways	ANA - Critical; client request	New highways contract. Contractor share mechanism. Assurance required. Target price principles set. How we sort this out. Open book accounting. Similar involvement with SWH contract. Target cost route.	Q	10
Civil Parking Enforcement	ANA - Medium; client request	Front line service, performing well in terms of efficiency, the remit being highly emotive and can be subject to complaints from individuals, some with valid concerns and others simply seeking to overturn a valid Penalty Charge Notice. Are we missing subtleties re staff behaviours? Are complaints dealt with to Corporate standards? Does the culture of the service align with wider DCC priorities?	Q1	8
Failure to maintain C class and unclassified roads effectively	CRR HTM1 ANA - Medium; client request	Backlog - failure to maintain. Are we doing all we can against reduction in maintenance in highway infrastructure.	Q	8
Collaboration with Others	ANA - Low; client request	Internal (to DCC). Schemes promoted - have impact on the authority. ie new bridge - maintenance costs ongoing. Should we be doing this?	Q	8
Footway Maintenance	ANA - Medium; client request	Are sufficient monies being spent upon this? Downside of lack of maintenance - slips / trips / falls, leading to social care requirement, hospitalisation.	Q	8
Advice, planning, monitoring and performance reporting			Q1-4	10
Grants				
Active Devon	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	5
Bus Subsidy	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Careers and Enterprise	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	5

Risk Area / Audit Entity	Risk / Audit Needs Assessment (ANA) – an assessment of the priority of the planned review	Proposed Audit Work / Scope	Proposed Timings (Quarter)	Estimated Audit Effort (Days)
Disabled Facilities Grant	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Local Growth Fund	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1	5
Local Transport Capital Block Funding	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	2
Skills Funding Agency	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q2	8
Troubled Families Programme	n/a	Grant determination requires independent certification of expenditure by Internal Audit.	Q1-4	10
Grants: Advice, planning, monitoring and performance reporting			Q1-4	5
Other Chargeable Activities (not incorporated above)				
Corporate Governance	n/a	Support for Audit Committee, annual follow up for Audit Committee, corporate governance, internal audit standards, customer service excellence, audit development, liaison with external audit etc	Q1-4	55

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 resources will be allocated to allow a focus on identifying and preventing fraud before it happens. Nationally these areas include Procurement, Payroll, Blue Badges, Direct Payments and Pensions.

The Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Work on the 2016/17 exercise has already commenced with resulting data matches available from early 2017. We will work with Council departments to ensure that the matches are reviewed and action taken as may be necessary.

Internal Audit Governance

An element of our work is classified as “other chargeable activities” – this is work that ensures effective and efficient audit 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. External Audit, Audit South West);
- 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 the year;
- 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.

We have developed sound working arrangements with Grant Thornton, the authority’s external auditors and have regular liaison meetings to understanding their requirements and to provide the information they require, maximising the benefits of close working. We have also developed an effective working relationship with Audit South West (NHS Internal Audit) and anticipate more opportunities to work collaboratively together as integration between the Council and Health progresses.

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.

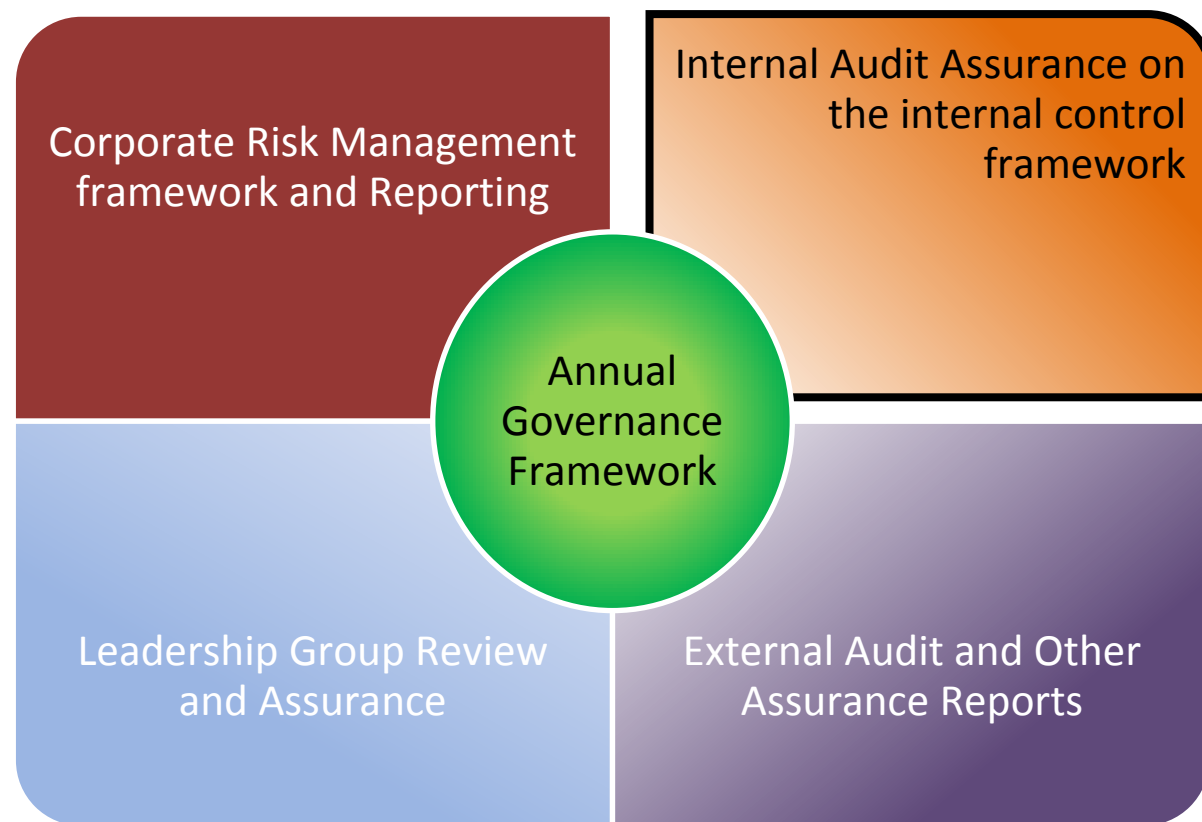
Appendix 2 - Annual Governance Framework Assurance

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 Leader of the Council;
- highlight significant events or developments in the year;
- acknowledge the responsibility on management to ensure good governance;
- indicate the level of assurance that systems and processes can provide;
- provide a narrative on the process that 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 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.



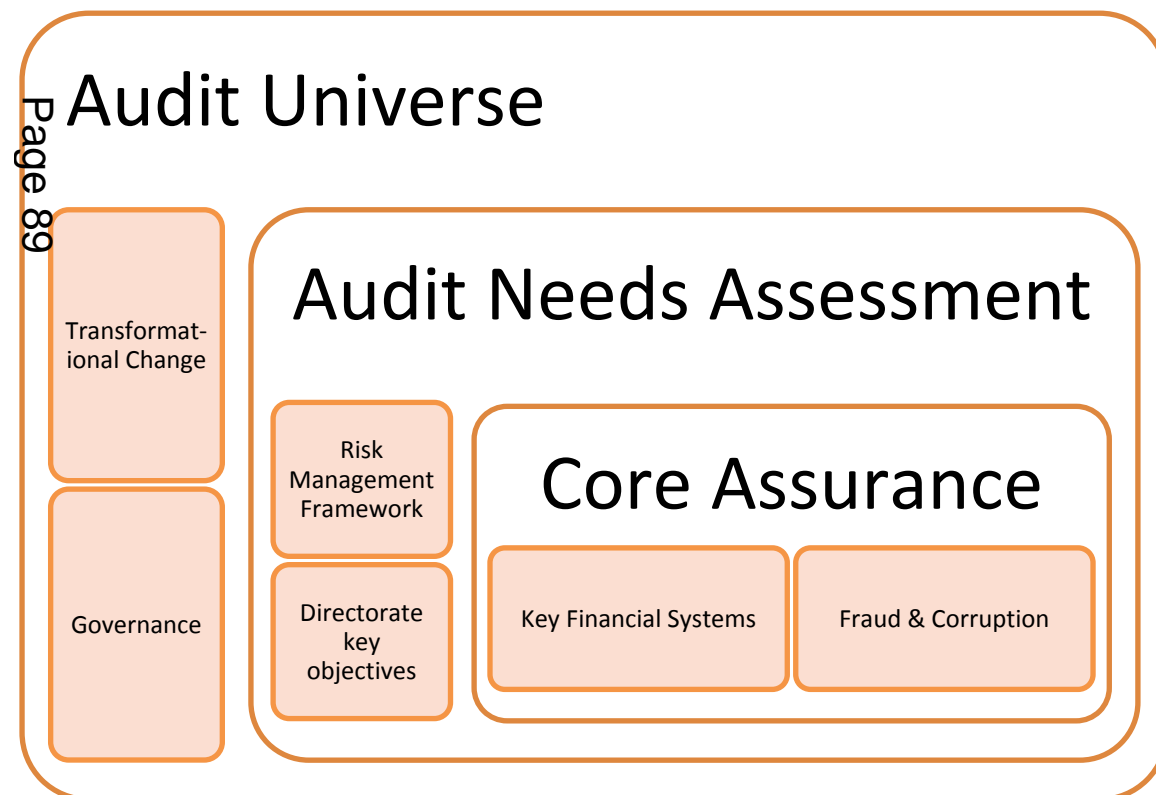
The AGS needs to be presented to, and approved by, the Audit Committee, and then signed by the Chair.

The Committee should satisfy themselves, from the assurances provided by the Corporate Risk Management Group, Leadership Group and Internal Audit 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

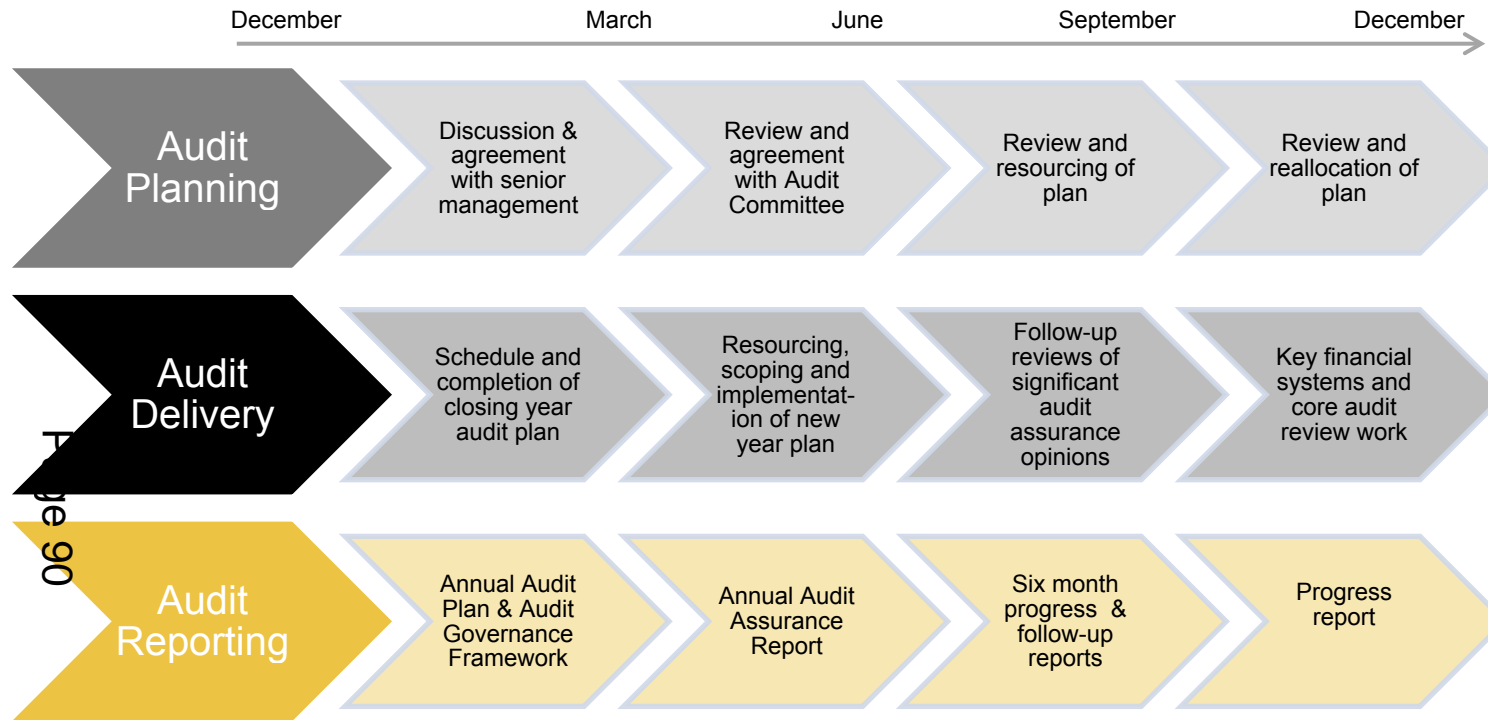
Discussions and liaison with Directors and Senior Officers regarding the risks which threaten the achievement of corporate or service objectives, including changes and / or the introduction of new systems, operations, programs, and corporate initiatives

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 2017	Directorate planning meetings
March 2017	Internal Audit Plan presented to Audit Committee
	Internal Audit Governance Arrangements reviewed by Audit Committee
	Year end field work completed
Apr / May 2017	Annual Performance reports written
June 2017	Annual Internal Audit Report presented to Audit Committee
	Follow - up work of previous year's audit work commences
Sept 2017	Follow-up and progress reports presented to Audit Committee
Dec 2017	Six month progress reports presented to Audit Committee
	2018 Internal Audit Plan preparation commences

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INTERNAL AUDIT STRATEGY FOR 2017/18

Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee agrees the Internal Audit Strategy for the year 2017/18

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the Chief Internal Auditor (for Devon County Council this is Head of Devon Audit Partnership) produces an Audit Strategy each year, which:
 - is a high-level statement of how the internal audit service will be delivered and developed in accordance with the Charter and how it links to the organisational objectives and priorities;
 - will communicate the contribution that Internal Audit makes to the organisation and should include:
 - internal audit objectives and outcomes;
 - how the Head of Devon Audit Partnership will form and evidence his opinion on the governance, risk and control framework to support the Annual Governance Statement;
 - how Internal Audit's work will identify and address significant local and national issues and risks;
 - how the service will be provided, and
 - the resources and skills required to deliver the Strategy.
 - should be approved, but not directed, by the Audit Committee.
2. This Strategy (available as a separate paper) addresses these requirements. The Strategy complies with the mandatory requirements of the Public Sector Internal Audit Standards.
3. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

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Background Paper: None

DEVON COUNTY COUNCIL

INTERNAL AUDIT STRATEGY (March 2017)

1 INTRODUCTION

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

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

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

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

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

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

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

2 INTERNAL AUDIT OBJECTIVES AND OUTCOMES

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

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

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

3 OPINION ON THE GOVERNANCE, RISK AND CONTROL FRAMEWORK

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

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

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

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

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

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

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

4 PLANNING, INCLUDING LOCAL AND NATIONAL ISSUES AND RISKS

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

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

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

Assignment planning

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

5 PROVISION OF INTERNAL AUDIT

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

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

Internal Audit Performance Management and Quality Assurance

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

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

Performance Measures and targets

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

Devon County Council - Internal Audit Performance Monitoring Targets 2016/17.

Performance Indicator	Full year target 2017/18
Percentage of Audit Plan completed	90%
Customer Satisfaction - % satisfied or very satisfied as per feedback forms	90%
Draft reports produced with target number of days (currently 15 days)	90%
Final reports produced within target number of days (currently 10 days)	90%

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

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

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

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

Customer (user) feedback

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

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

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

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

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

Internal quality reviews

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

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

Terry and Chris concluded that;

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

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

6 RESOURCES AND SKILLS

Resources

The PSIAS and the Audit Manual states that:

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

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

The Partnership draws on a range of skilled staff to meet the audit needs. Our current staff (as at January 2017) includes:-

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

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

Staff Development and Training

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

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

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

Devon Audit Partnership

March 2017

Auditing for achievement

INTERNAL AUDIT CHARTER FOR 2017/18

Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee agrees the Internal Audit Charter for the year 2017/18

1. One of the requirements of the Public Sector Internal Audit Standards (PSIAS) is that the purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics and the Standards. The internal audit charter for the financial year 2017/18 is described in detail in a summary report available separately.
2. The PSIAS sets additional Public Sector requirements where the internal audit charter must also:
 - define the terms 'board' and 'senior management' for the purposes of internal audit activity;
 - cover the arrangements for appropriate resourcing;
 - define the role of internal audit in any fraud-related work; and
 - include arrangements for avoiding conflicts of interest if internal audit undertakes non-audit activities.
3. This Charter complies with the mandatory requirements of the Public Sector Internal Audit Standards.
4. Delivery of the Internal Audit Service will be by the Devon Audit Partnership, a shared services arrangement between Devon County Council, Plymouth City and Torbay Councils in accordance with the agreed internal audit plan.

Mary Davis

Electoral Divisions: All

Local Government Act 1972

List of Background Papers

Contact for Enquiries:

Robert Hutchins Tel No: (01392) 382437 Dart suite, Larkbeare House, Topsham Rd, Exeter.

Background Paper: None

DEVON COUNTY COUNCIL

INTERNAL AUDIT CHARTER (March 2017)

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 Corporate Leadership Team.

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

STATUTORY REQUIREMENTS

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

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

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

THE 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 The 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 Heads of Service
- Section 151 Officer
- Monitoring Officer
- all authority employees
- all authority premises.

ACCOUNTABILITY

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

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

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

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

The County Treasurer 'Section 151 Officer' will liaise with the Head of Devon Audit Partnership and is therefore responsible for monitoring performance and ensuring independence.

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

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

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

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

RESPONSIBILITIES

The Chief Executive, Heads of Service 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 County Treasurer 'Section 151 Officer' regarding the adequacy and effectiveness of the Council's financial framework, helping meet obligations under the LGA 1972 Section 151.

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

Internal Audit responsibilities include but are not limited to:

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

INTERNAL AUDIT MANAGEMENT

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

- be appropriately qualified;
- determine the priorities of, deliver and manage the Council's internal audit service through a risk based annual audit plan;
- produce a Strategy to explain how the service will be delivered and reflect the resources and skills required;
- 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.

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

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

INTERNAL AUDIT PLAN AND RESOURCES

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

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

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

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

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

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

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

REPORTING

The primary purpose of Internal Audit reporting is to communicate to management within the organisation information that provides an independent and objective opinion on governance, the

control environment and risk exposure and to prompt management to implement agreed actions.

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

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

The aim of every Internal Audit report should be:

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

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

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

The Head of the Devon Audit Partnership will

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

RELATIONSHIP WITH THE AUDIT COMMITTEE

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

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

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

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

- establish if anything arising from the work of the committee requires consideration of changes to the audit plan, and vice versa;
- present an annual report on the effectiveness of the system of internal audit; and
- present an annual internal audit report including an overall opinion on the governance, risk and control framework

QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

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

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

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

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

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

CHARTER – NON CONFORMANCE AND REVIEW

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

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

Devon Audit Partnership

March 2017

Auditing for achievement

DEVON COUNTY COUNCIL – CONTROL ENVIRONMENT Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

It is recommended that Members:

- i. Note the report;
- ii. Endorse the conclusion of the County Treasurer that the authority's accounts should be prepared on a Going Concern basis; and
- iii. Endorse the letter from the Chair to the external auditor (Grant Thornton).

1. Each year the Chair of the Audit Committee and S151 officer are required to respond to enquiries from the external auditors (Grant Thornton) regarding the overall control environment of the Council, with particular focus on the arrangements in place to ensure that the production of the financial statements will be free of material error.

2. It is acknowledged that no process can ever be risk free; however it is important that appropriate checks and balances are in place to ensure accuracy in preparation of the accounts and to identify errors should they arise without compromising the opinion on the accounts.

3. It should be noted that although the close-down of the accounts only occurs once a year the control environment needs to be operational throughout the accounting period on a consistent and error free basis to provide an appropriate level of assurance on the accounts.

4. Each year the authority assesses whether it should be considered as a Going Concern and whether the accounts should be prepared on that basis. The external auditor, Grant Thornton, has again this year requested that the Audit Committee consider this assessment. The County Treasurer considers that the authority is a Going Concern and that the accounts should be produced on this basis. Evidence to support this conclusion is contained within section 27 of the appendix to the s151 officer's response attached.

5. The Audit Committee will be required to authorise the accounts in September after Grant Thornton has audited the accounts and prepared a report on their findings that will also go to the September Audit Committee. The attached letters from the Chair and the Section 151 officer communicate the details of the control environment.

Mary Davis

Electoral Divisions: All
Local Government Act 1972

Contact for Enquiries: Robert Hutchins
Tel No: (01392) 382437 Larkbeare House

Background Paper _____ Date _____ File Ref _____
Nil

There are no equality issues associated with this report

From: Mary Davis
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28th March 2017

Dear Liz

Devon County Council and Devon Pension Fund

Audit of Accounts 2016-17

Thank you for your letter of 26th January 2017 in which you request information in support of your requirements under the International Auditing Standards.

You require an understanding of the management processes in place to prevent and detect fraud and ensure compliance with law and regulation.

You helpfully enclosed a schedule which explored the areas you require assurance on. I have completed this schedule and now attach this for your information. The schedule contains links to a number of documents that I trust will assist you in your work.

I trust that this schedule provides you with good insight into how we ensure the risk of fraud is effectively addressed, and how we ensure compliance with law and regulation.

If you do require any further information do please let me know.

Yours sincerely

Mary Davis
Treasurer

Responses from Management:

	Auditor question	Response
1	What do you regard as the key events or issues that will have a significant impact on the financial statements for 2016/17?	<p>There is no single event which will have a material effect on the accounting statements for 2016/17. Whilst the effect of reduced Government funding puts a pressure on its finances, the Council has managed to live within the budget and is setting a balanced budget for 2017/18.</p> <p>The new format of the Comprehensive Income and Expenditure Statement and requirement for an Expenditure and Funding Analysis will change the way that the Council's financial performance is presented but it is not regarded as a key event or change to accounting policies.</p> <p>CIPFA's decision to defer the implementation of current cost accounting for the Highway Network Asset / Transportation Infrastructure has removed the most significant potential accounting change in 2016/17.</p>
2	<p>Have you considered the appropriateness of the accounting policies adopted by the Council?</p> <p>Have there been any events or transactions that may cause you to change or adopt new accounting policies?</p>	<p>The accounting policies are reviewed by the Finance Leadership Team on a regular and ongoing basis and where appropriate minor updates made. There are no events or transactions which have led to changed or new accounting policies other than those required by the Code.</p> <p>There are no events or transactions that have caused us to change or adopt new accounting policies?</p>
3	Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	None
4	What are the policies and procedures in place to identify applicable legal and regulatory requirements to ensure the Council is complying with those requirements.	<p>In addition to indicating how any proposal will reflect/contribute to the Council's priorities/strategic plan/corporate goals and the options considered every report to Cabinet must highlight any necessary legal considerations taken into account. This could be to indicate either that there were no specific legal considerations or to show that the 'lawful' implications/consequences of the proposals/recommendations/proposed course of action have been considered and taken into account in the preparation of the report/formulation of the recommendations.</p> <p>The Constitution is the Council's Code of Corporate Governance which sets out how the Council operates, how decisions are made and the procedures which are followed to ensure that these are efficient, transparent and accountable to local people.</p>

		<p>The County Solicitor and her team are kept informed of legal developments through updates in professional journals and newsletters.</p> <p>The Society of County Treasurers provides technical updates to changes in legislation and regulation which have a financial implication for the Council.</p>
5	How would you assess the quality of the Council's internal control processes?	I am informed by the work of internal audit and by the review of internal control for the Annual Governance Statement that internal control within the council is at least satisfactory.
6	How would you assess the process for reviewing the effectiveness of internal control?	I am happy that the process is robust.
7	How do the Council's risk management processes link to financial reporting?	All decision reports require a risk assessment. The risk registers include financial risks and mitigating controls.
8	How would you assess the Council's arrangements for identifying and responding to the risk of fraud?	<p>Awareness is key to identifying the possibility of fraud and as such it is essential that staff are aware of the possibility of fraud within their working environment. We have an e-learning "fraud awareness" module in place to help managers increase their fraud awareness.</p> <p>Our internal audit team, Devon Audit Partnership (DAP) issues regular fraud bulletins to raise awareness of the possibility of fraud; identify the circumstances of their occurrence and the controls that should be in place and adhered to by staff to minimise the risk of similar frauds taking place within the authority.</p> <p>Where areas of fraud risk are identified, these are reviewed by management and subject to audit review to ensure the controls in place are fit for purpose and being adhered to.</p> <p>All allegations of fraud are taken seriously and are investigated promptly by management in conjunction with Internal Audit, HR and Legal Services as applicable.</p> <p>The annual internal audit plan includes time for fraud prevention, detection and investigation. This plan is subject to annual review and takes into account any areas of concern which have been raised by colleagues within other local authorities, or national initiatives in areas where fraudsters are known to operate.</p> <p>Through the work undertaken by Internal Audit, Trading Standards and various law enforcement partners, all significant findings are advertised via the media and the public website to raise awareness of the implications of what can happen to a fraudster if they are found out</p>

		and a conviction successfully obtained.
9	What has been the outcome of these arrangements so far this year?	<p>Proactive anti-fraud work has been undertaken during the first six months of 2016/17. A Fraud bulletin has been produced and published on DAP's website.</p> <p>DAP regularly reviews data produced from the accounts payable process to check for, and prevent, potential duplicate payments; this work has continued during 2016-17.</p>
10	What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Direct payments, creditor payments, purchasing card transactions, contract and procurement.
11	Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	The Council is a large organisation covering a wide range of services. The Council encourages whistleblowing from employees who may have concerns and each referral will be thoroughly investigated, with action taken to remedy any issues identified.
12	Have any reports been made under the Bribery Act?	None
13	As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	<p>Internal audit reports to the Audit Committee, including any reference to fraud prevention, detection and investigation.</p> <p>Internal Audit (DAP) produces regular fraud bulletins. The Head of Devon Audit Partnership is a member of the Finance Leadership Team and uses that forum to communicate fraud and risk issues.</p>
14	As a management team, how do you communicate to staff and employees your views on business practices and ethical behaviour?	<p>These are communicated through messages via the Insider publication, Core Briefings, senior management team meetings etc. as part of the management process.</p> <p>In addition, guidance is available to staff on the relevant policies around business practices and ethical behaviour; including within the Code of Business Conduct the need to be transparent and register gifts and hospitality offered but declined.</p>
15	What are your policies and procedures for identifying, assessing and accounting for litigation and claims?	Decision reports include financial and legal implications. General monitoring of legal work i.e. we receive 'letters before action'. Risk register.
16	Is there any use of financial instruments, including derivatives?	<p>The accounts show the Council makes use of financial instruments which are typical for local authorities. These include debtor and creditor balances, investments and long term borrowing. The Council has no embedded derivative contracts.</p> <p>The Pension Fund makes use of a wide variety of financial instruments which are typical for LGPS funds. These will include investments in equities, bonds, pooled funds invested in property and infrastructure,</p>

		and will also include forward currency contracts.
17	What is the status of the contingent assets and liabilities reported in the previous period?	The Legal Challenge to Procurement (DILIS) was resolved in the retendering of the contract. Other contingent assets and liabilities will be reviewed at year end. It is not expected that any of these will have a significant impact on the financial statements as none were material in 2015/16 anyway. The insurance claim disclosed as a contingent asset in 2015/16 has been settled in 2016/17. There is no need for a continuing disclosure.
18	Are you aware of any significant transaction outside the normal course of business?	I am not aware of any significant transaction outside the normal course of business.
19	Are you aware of any changes in circumstances that would lead to impairment of non-current assets?	In 2013/14 Dartington School was found to suffer from design and/or construction fault and requires significant works. The authority's action to recover costs has been resolved. The asset was impaired. I am not aware of any other significant issues of impairment.
20	Are you aware of any guarantee contracts?	The authority has entered into a contract to guarantee 50% of loan repayments in relation to Science Park Ltd.
21	Are you aware of allegations of fraud, errors, or other irregularities during the period?	Various allegations, including whistle blowing allegations, are received during the year. These are thoroughly investigated and action taken to address any concerns raised. Internal Audit maintains a record of all instances reported to them; such a record is available for External Audit to review.
22	Are you aware of any instances of non-compliance with laws or regulations or is the Council on notice of any such possible instances of non-compliance?	None
23	Have there been any examinations, investigations or inquiries by any licensing or authorising bodies or the tax and customs authorities?	None
24	Are you aware of any transactions, events and conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement?	As in previous years disclosures will be made in the Statement of Accounts in relation to Property, Plant & Equipment, Debtors, Pension Liability and Provisions.
25	Where the financial statements include amounts based on significant estimates, how have the accounting estimates been made, what is the nature of the data used, and the degree of estimate uncertainty inherent in the estimate?	Full disclosure will be made in the Statement of Accounts. There is no significant change from last year.
26	Are you aware of the existence of loss	The loss contingencies are outlined in a note to the

	contingencies and/or un-asserted claims that may affect the financial statements?	accounts.
27	<p>Although the public sector interpretation of IAS1 means that the financial services should be prepared on a going concern basis, management are required to consider whether there are any material uncertainties that cast doubt on the Council's ability to continue as a business. What is the process for undertaking a rigorous assessment of going concern? Is the process carried out proportionate in nature and depth to the level of financial risk and complexity of the organisation and its operations? How will you ensure that all available information is considered when concluding the organisation is a going concern at the date the financial statements are approved?</p>	<p>The accounts have been prepared on a going concern basis. The concept of a going concern assumes that an authority, its functions and services will continue in operational existence for the foreseeable future. Although Central Government funding is being cut significantly this will have no adverse effect on Devon County Council as a going concern.</p> <p>Financial Performance – the authority has a strong track record of not overspending its budget. 2015/16 was the 25th year in succession that the authority has delivered a surplus at the year end. This is in spite of significant cuts to Government funding and in year pressures in the area of children’s social care. The Council expects a small overall surplus at the end of 2016/17.</p> <p>Continuing Provision of Services – Ongoing cuts to public sector expenditure have resulted in significant reductions in local authority funding. The authority has made savings of over £200 millions since the comprehensive spending review of 2010. Services have been reduced, efficiencies found and different delivery models identified. These changes do not affect the going concern status of the authority as overall services to the people of Devon continue. The authority has tax raising powers and is still in receipt of a significant level of government grant.</p> <p>Cash flow/financing – The Budget Management Group receives cash flow forecasts at every meeting. The report for Month 10 shows a balance of £145.7 million at 31 January and forecasts a balance of £109.6 million at 31 March 2017 (£95 million when Growing Places Fund is excluded).</p> <p>My conclusion is therefore that the authority is a Going Concern and the accounts should be prepared on that basis.</p> <p>As part of the budget process, the Treasurer prepares a high level MTFS covering the next three years and this supports the declaration on the robustness of estimates and the adequacy of reserves. The Council will need to make significant savings in order to meet the reduced level of resources over this timescale.</p> <p>However, even with large budget reductions, the</p>

		<p>County Council's gross revenue budget is in excess of £1 billion, with a five year capital programme totalling over £400 million. The long and short term assets of the authority exceed £1.6 billion. There are no structural changes proposed by Government for Local Government and therefore no doubt exists around the medium term future of the Council or its classification as a going concern.</p> <p>The Treasurer receives Committee and finance reports and attends weekly Corporate Leadership Team meetings with the Chief Executive, Chief Officers, Heads of Service and County Solicitor. These meetings consider any significant issues that would affect the consideration of going concern.</p>
28	<p>Can you provide details of those solicitors utilised by the Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?</p>	<p>We use Browne Jacobson Solicitors for our claim work. Waste services have instructed Burges Salmon on a non-litigious matter regarding the Energy from Waste plant in Exeter. Bevan Brittan has advised us regarding DILIS procurement challenge as well as providing support on the Highways Term Maintenance Contract project and preparing new DCC standard terms and conditions. Eversheds have been used regarding the Exeter Schools PFI, the South Devon Link Road and some State Aid advice. Foot Anstey for the Highways Maintenance Contract Reprocurement.</p> <p>Battens solicitors have taken on some childcare work.</p> <p>Regarding the Pension Fund: we have instructed Osborne Clark in relation to the project to pool pension fund investments. We have also been a client of Stewarts Law LLP.</p> <p>Other than for conveyancing - no others at this time.</p>
29	<p>Can you provide details of other advisors consulted during the year and the issue(s) on which they were consulted?</p>	<p>The authority uses Capita in relation to investment advice and financial instrument valuations and NPS South West as property valuer. LG Futures provides financial projections to help with budgeting and the Medium Term Financial Strategy.</p>
30	<p>Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements?</p>	<p>I am not aware of any.</p>

Councillor Richard Edgell
Chair of the Audit Committee



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28th March 2017

Dear Liz

Devon County Council and Devon Pension Fund

Audit of Accounts 2016/17

Understanding how the Audit Committee gains assurance from management

Thank you for your letter of 26th January 2017 in which you request information in support of your requirements under the International Auditing Standards.

You have asked how the Audit Committee gains assurance over management processes and arrangements in place for Devon County Council.

You helpfully enclosed a schedule which explored the areas you require assurance on. I have completed this schedule and now attach this for your information.

I trust that this schedule provides you with good insight into how the Audit Committee gains assurance over management processes and arrangements in operation.

Yours sincerely

Councillor Richard Edgell
Chair of the Audit Committee

Response from Audit Committee Chair

Fraud risk assessment

	Auditor Question	Response
1	Has the Council assessed the risk of material misstatement in the financial statements due to fraud?	As outlined below there is a comprehensive fraud and corruption risk planning strategy in place. No significant fraud has been identified that would affect the material accuracy of the accounts. The Head of Devon Audit Partnership (DAP) has been able to provide reasonable assurance on the adequacy and effectiveness of the Authority's internal control environment.
2	What are the results of this process?	The comprehensive procedures in place indicate that the risk is low of material misstatement due to fraud.
3	What processes does the Council have in place to identify and respond to risks of fraud?	<p>The internal audit service has developed a Fraud & Corruption Risk Planning Strategy which identifies the key risks within the central processes operated by the Council, ensuring that appropriate controls are in place to safeguard its operations.</p> <p>All financial irregularities that are reported to Internal Audit are diligently investigated. A summary of the key cases is included within the annual report of the Head of the Devon Audit Partnership to the Audit Committee.</p>
4	Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	To my knowledge (and as informed by management and the Head of Devon Audit Partnership) I am not aware of any specific fraud risks, or areas with a high risk of fraud, being identified.
5	Are internal controls, including segregation of duties, in place and operating effectively?	<p>The Audit Committee receives an annual report from the Head of the Devon Audit Partnership including an assurance on the system of internal control within the County Council, including the pension fund.</p> <p>Overall , based on work performed during 2016/17 to date, and our experience from the current year progress and previous years audit, the Head of Internal Audit's Opinion is expected to be of "Significant Assurance" on the adequacy and effectiveness of the Authority's internal control framework.</p>
6	If not, where are the risk areas and what mitigating actions have been taken?	

7	Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	<p>In my opinion there are no areas where management override could take place, and if this were to occur then our arrangements would ensure that it is detected promptly giving time for full redress.</p> <p>We do not have performance related pay and we do not provide financial reward for our staff in meeting any targets.</p>
8	Are there any areas where there is a potential for misreporting?	We consider that our reporting systems are sound and reliable and do not consider that there is potential for misreporting.
9	How does the Audit Committee exercise oversight over management's processes for identifying and responding to risks of fraud?	<p>The Council takes zero tolerance approach to fraud and the Audit Committee takes a lead on ensuring this approach is adhered to.</p> <p>On a six monthly basis reports are provided by the Internal Audit section summarising audit work carried out in the preceding six month period. These reports provide summary narrative information of work undertaken in respect of fraud and corruption work including a summary of key investigations undertaken and any significant issues or implications for the control environment arising.</p> <p>The Internal Audit plan in summary form is presented to the Audit Committee for consideration and approval.</p> <p>The Audit Committee is kept updated of fraud and irregularity work.</p> <p>For example the Internal Audit update report provided to the Audit Committee in November 2016 referred to:-</p> <p>" supporting the 2016/17 NFI exercise. The appropriate statutory notification have been published e.g. via website, payslips. Arrangements were made with department contacts to extract the data from the Authority's systems at the end of September"</p> <p>"Poor procedures involving the management of clients' monies in a private residential care home and the financial and administrative procedures at a day centre have been investigated, the latter stemmed from the identification of pre-signed timesheets. In both cases recommendations have</p>

		<p>been made to improve systems and procedures".</p> <p>"Claims made by an ex-employee that a school had misappropriated grant monies have been investigated. Unspent grant monies were found but no evidence of misappropriation".</p> <p>Proactive anti-fraud work has been undertaken during the first six months of 2016/17. Fraud bulletins continue to be produced and publicised to Council staff via the Insider (now Inside Devon) and also published on DAP's website.</p> <p>DAP regularly reviews data produced from the accounts payable process to check for, and prevent, potential duplicate payments; this work has continued during 2016-17.</p> <p>A register of all instances of reported fraud and corruption is maintained by Devon Audit Partnership. Each allegation is categorised to enable annual fraud survey returns to be completed for various agencies such as the National Fraud Authority.</p> <p>The Head of the Devon Audit Partnership has the right of direct access to the Chair of the Audit Committee to discuss significant allegations of fraud and / or corruption should the need arise.</p>
10	What arrangements are in place to report fraud issues and risks to the Audit Committee?	<p>Internal audit – provide six monthly and annual reports summarising internal audit activity and providing narrative on fraud issues.</p> <p>Risk Management – annual and six monthly progress reports are provided to the Audit Committee from the Corporate Risk Management Group.</p> <p>Management – are asked to provide explanations to areas where risk has not been mitigated sufficiently, or where internal or external audit reports have identified areas of concern.</p> <p>External Audit – provide assurance on the statement of accounts, grant claimed and the achievement of value for money.</p>
11	How does the Council communicate and encourage ethical behaviour of its staff and	Part One of the Councils constitution sets out the

	<p>contractors?</p>	<p>Code of Business Conduct</p> <p>http://democracy.devon.gov.uk/documents/s5506/Part%2005%20-%20Code%20of%20Business%20Conduct.pdf</p> <p>Employee conduct is covered by a corporate policy A copy can be provided if required.</p> <p>https://devoncc.sharepoint.com/sites/PublicDocs/Democracy/_layouts/15/download.aspx?guestaccess_token=KQCW%2ftovzhCHQI6%2buEXXvPpDfsuXeSV%2b6vXOwAwkCWU%3d&docid=0f18286041d9c406f96c739296f14231c&rev=1</p> <p>The code of Business conduct includes the Financial Regulations of the Council which also set out standards for contracts and tendering.</p> <p>The Council has a web page “Going Business with Us” which sets out the standards expected on suppliers and contractors.</p> <p>http://www.devon.gov.uk/index/economyenterpriserise/doing_business_with_us/procurement.htm</p> <p>A regular fraud bulletin is prepared by Devon Audit Partnership and this is shown on their website. . This is publicised to staff via the Insider bulletin (now Inside Devon). The bulletin highlights the need for vigilance against fraud and corruption, recent cases affecting this and neighbouring authorities and giving guidance on what to do if fraud or corruption is suspected. We also make use of payslip notifications to inform staff of their responsibilities.</p> <p>The Council has also provided guidance to strengthen arrangements against money laundering.</p> <p>http://staff.devon.gov.uk/anti-money-laundering-guidance.pdf</p>
12	<p>How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?</p>	<p>The council has an effective, and well used, whistleblowing policy that sets out how employees can make their concerns known.</p> <p>An organisation the size of the council will always</p>

		<p>have a number of ongoing reviews taking place at any one time; these are always “significant” to the employee concerned, but may not have such a bearing on the wider organisation.</p> <p>The internal audit provider regularly provides an updated list of all fraud and irregularity cases currently under investigation.</p>
13	Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	None
14	Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council since 1 April 2016?	<p>As stated above an organisation the size of the council will always have a number of ongoing reviews taking place at any one time; these are always “significant” to the employee concerned, but may not have such a bearing on the wider organisation.</p> <p>The internal audit provider regularly provides an updated list of all fraud and irregularity cases currently under investigation.</p>

Law and regulation

	Auditor Question	Response
1	What arrangements does the Council have in place to prevent and detect non-compliance with laws and regulations?	<p>The Annual Governance Statement (AGS) for Devon County Council is submitted to the Audit Committee and signed off before the financial statements are agreed. The AGS is an assurance from the Leadership Team that all controls are in place which includes legal and financial controls. The Council’s Section 151 Officer is a member of the Council’s Leadership Team and also attends the Audit Committee. The Section 151 Officer therefore has first hand exposure to the issues and risks facing the County Council as a whole and the individual service areas. More challenging reports are discussed by the Leadership Team before reaching the Committee stage and both the Section 151 and Monitoring Officers are joint signatories to reports with legal or financial implications.</p>
2	How does management gain assurance that all relevant laws and regulations have been complied with?	See above.

3	How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?	At the year end the County Solicitor (Monitoring Officer) is asked to specify if there is litigation in progress that may lead to substantial costs and findings against the County Council or Pension Fund. The Deputy County Treasurer, Senior Assistant County Treasurer and Assistant County Treasurers are asked to identify any contingent liabilities that may require disclosure. A combination of these arrangements allows the financial statements to reflect any material issues requiring disclosure.
4	Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	None
5	What arrangements does the Council have in place to identify, evaluate and account for litigation or claims?	Enquiries are made of the County Solicitor, Insurance Officer, Head of HR and senior finance officers. Any instances are then assessed in line with proper accounting practices and appropriate entries and disclosure made.
6	Is there any actual or potential litigation or claims that would affect the financial statements?	All are disclosed within the Statement of Accounts.
7	Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	None

ADMITTING NEW PARTNERS TO THE DEVON AUDIT PARTNERSHIP

Report of the County Treasurer

Please note that the following recommendations are subject to confirmation by the Committee before taking effect.

Recommendation: that the Committee notes the process for Devon Audit Partnership Committee agreeing new members to the Devon Audit Partnership (DAP).

1 At the Devon Audit Partnership Committee (15 March 2017) a question was raised around how new members to the Partnership should be agreed. Devon Audit Partnership is hosted by Devon County Council (DCC) and DCC legal colleagues have looked into the issue.

2. DCC Legal colleagues have considered the Partnership Agreement and are of the view that new members can be approved by the Joint Committee (i.e. Devon Audit Partnership Committee). This Joint Committee was created when DAP was set up in 2009. Clause 1.1 of the DAP Agreement says that DCC, Plymouth City Council (PCC) and Torbay Council (TC) agree to establish and participate in a joint committee to be known as the Devon Audit Partnership.

3. The relevant provision relating to another council joining is found in clause 23. Clause 23 of the Agreement allows for other councils to join subject to the unanimous approval of the Management Board and the Partnership i.e. the Joint Committee. In effect the three Councils have left it to the Management Board and the Partnership Committee as to whether or not another council should be permitted to join. The full text of this clause is set out below:-

- 23. Additional Councils joining the Partnership
- 23.1 Other councils may be invited to join the Partnership and other public bodies may be invited to participate in the Partnership subject in both cases to i) the prior agreement of the Management Board and the Partnership and ii) entering into an agreement with the Partnership containing such terms and conditions as the Partnership shall decide.
- 23.2 The decision to allow another council to join or other public body to participate in the Partnership shall require the unanimous approval of DCC, PCC and TC both on the Management Board and the Partnership.

4. Plymouth and Torbay may wish to take their own legal advice, but certainly from DCC legal perspective once the Management Board and the Partnership Committee have both decided unanimously that another council can join that is all that is required, subject of course to the incoming council entering into an agreement which contains such terms and conditions as the Partnership decides.

5. In terms of process there needs to be a minute of the Management Board which specifically records its unanimous approval and the same needs to apply to the Partnership Committee. The terms and conditions of allowing another council to join would need to be determined by the Partnership.

Mary Davis

Electoral Divisions: All
Local Government Act 1972
List of Background Papers
None

Contact for Enquiries:

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CT/17/31
Audit Committee
28 March 2017

Report of the Corporate Risk Management Group

Report of the County Treasurer

Please note that the following recommendations are subject to consideration and determination by the Committee before taking effect.

Recommendation: It is recommended that:

- **Audit Committee to consider the Corporate Risk Register;**

1. Summary

This report of the Corporate Risk Management Group provides an update on risk management practice in the Council.

2. Introduction

Corporate Risk Management Group reports to Audit Committee as necessary by exception to provide information on significant changes recorded on risk registers.

3. Significant risks

Risks with a current mitigated classification of High or Very high are shown in appendix A of this report. Since risks were last reported to this committee in November the following changes have occurred.

Newly identified risks:

FIN41: BREXIT

Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.

Inherent status: **24 Very High**, Current status: **20 High**

ICT05 - Shadow IT in Devon County Council

There have historically always been "Shadow IT" departments in Devon County Council, for example, in Highways, HR and Finance where specialist departments deal with their own IT, referring to Corporate IT when required. However, increasingly the availability of often "free" and low cost cloud software and apps, means that increased numbers of both individual users and business areas start using their own systems, often without any reference to Corporate IT

Inherent status: **16 High**, Current status: **16 High**

FIN40: Impact of reform of the Intermediaries Legislation (Off-Payroll working in the Public sector)

Draft legislation has been circulated following HMRC consultation related to off payroll working in the public sector, and the current off payroll arrangements in place within the Council. Off payroll workers are paid by invoice via an intermediary i.e. their own limited

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company (also known as a personal services company) or via a recruitment agency, rather than the Council's payroll service. Care will need to be taken in terms of assessing the potential impact of the legislative change and in determining how the Council proceeds to ensure that Devon County Council fully meets its duties in respect of tax legislation.

Inherent status: **18 High**, Current status: **12 Medium**

Delivery of the Capital Programme

Potential for significant overspend on construction projects

Inherent status: **16 High**, Current status: **12 Medium**

HR: Appointment and Hiring of Consultants

The risk of appointing a consultant without carrying out due diligence could expose the Authority to non-compliance with legislation (from April 2017) as well as other financial and reputational issues.

Inherent status: **15 High**, Current status: **8 Low**

Reprocure North Devon and Torridge residual waste contract

Inherent status: **20 High**

Connecting Devon and Somerset - Secure superfast broadband to at least 95% of Devon and Somerset Premises by December 2019 with as much coverage as possible by the end of 2017

The Connecting Devon and Somerset programme has been set up to bring superfast broadband to parts of rural Devon and Somerset, where the private sector will fail to deliver. Phase 1 was intended to increase superfast broadband to 90% of premises by the end of 2016 and phase 2 has the ambition of increasing this to 95% with as much as possible completed by the end of 2017. The programme has the overall target of ensuring all premises are connected to superfast broadband by 2020.

Inherent status: **24 Very High**

Risks archived or removed:

PR01 - Supply market failure: Financial and other pressures leading to the failure of supply markets

Failure of supply markets due to financial, capacity and other pressures particularly apparent in the social care market. Supply market failure could have a detrimental effect on the Council's ability to fulfil our legislative duties and strategic objectives.

PR19 - Risk to Procurement Outcomes due to Brexit Concerns

Risk to Procurement Outcomes due to Brexit Concerns. Now captured in Finance Risk Register

Lack of signed memorandum of understanding between DCC, NEWDevonCCG, SWDevon and Torbay CCG, NHS England and Public Health England

The MOU outlines responsibilities, both operational and financial between organisations in the event of an outbreak or other Public Health incident. No longer a risk for DCC as NHS have accepted responsibility.

PR17 - DCC Services creating their own expertise locally in light of reducing Corporate Services capacity

DCC Services creating their own expertise locally in light of reducing Corporate Services capacity

JO23: Children's and Adult services budget pressures and allocation

Impact across People's Services of budget pressures and allocation issues within children's services. Significant overspends are currently being forecast across a range of Education transport and Social Care budgets, which threaten the financial stability of People's Services. Archived and replaced with new risks specific to new structure.

Risk score increased:

TG31: NHS Reconfiguration

NHS changes in Devon impact adversely on social care activity and do not meet whole system needs of Devon's residents

From **20: High** to **25: Very High**

TG11: Market Capacity: Adult Social Care (Personal Care)

The council fails to meet its statutory market sufficiency requirement for personal care placing individuals at risk in the community or hospital setting

From **24: High** to **30: Very High**

KS19: Continuing Health Care (CHC)

The Council fails to operate within its statutory obligations to ensure the Legal Limits Framework is appropriately assessed by the NHS

From **20: High** to **30: Very High**

Risk score decreased:

KS5: Recruitment challenges

Unable to recruit professionally registered staff to deliver Care Management

From **24: Very High** to **9: Low**

TCS1: Public Transport Support Budget

Additional Cost/ budget pressure due to:

(a) withdrawal of commercial services, requiring DCC to respond to fill gaps in the bus network through additional support for services.

(b) Risk of higher tender prices, given a prolonged period of lower tender prices.

(c) funding reductions resulting in significant cuts in bus services.

Refer to Cabinet report 10 June 2015

From **20: High** to **15: High**

HTM2: Lack of capacity or capability to respond effectively to highway safety related issues

Potential for fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets. This could be brought about by deteriorating highway condition, inability to meet policy level of service, inadequate procedures or poor staff/contract performance.

From **24: Very High** to **20: High**

HTM3: Lack of capacity or capability to effectively respond to extreme weather events

Flooding and structural damage to the highway affecting citizens and property

From **24: Very High** to **20: High**

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KS20: Care management capacity and effectiveness

The Council fails to meet its statutory obligations for the timeliness of assessment for adults
From **25: Very High** to **20: High**

JO9: Devon Safeguarding Children Board

DSCB lacks effectiveness to drive forward improvements to services for children, young people and families. (Previously RM7)
From **20: High** to **6: Low**

FIN39: Failure to deliver priority services as a result of significantly reduced finances

Reductions in government funding over the next 3 years will necessitate reductions in local government spending and service provision. DCC has responded by identifying savings in 2016/17 and is identifying the impact of further reductions in subsequent financial years via its Medium Term Financial Planning process. This risk covers both a failure to deliver priority services due to inadequate financial planning and an inability to respond to changes arising from significant reductions in Government Finance
From **16: High** to **12: Medium**

Overdue risks:

There are six risks that are overdue for review where the previous review scored them either High or Very High:

SC17: The introduction of a joint Ofsted/CQC framework of services to support cyp with SEND

SC16: National Funding Formula and implications of the White Paper

SC1: School Transport

JO22: Increasing costs and challenges

JO13: Care Leavers in Education, Employment and Training

JO15: Attainment of Looked After Children

Mary Davis
County Treasurer

Electoral Divisions: All

Appendices

Appendix A: Significant risks

Contact for enquiries:
Mark Painter
Room No. 155
Tel No: (01392) 386219

Appendix A: Significant risks

Risk details	Status and Risk owner	Mitigating controls
<p>KS19: Continuing Health Care (CHC) The Council fails to operate within its statutory obligations to ensure the Legal Limits Framework is appropriately assessed by the NHS</p>	<p><u>Inherent status: 30 Very high</u> <u>Current status : 30 Very high</u> Risk owner: Keri Storey Accountable officer: Jennie Stephens Last review: 23 Feb 2017</p>	<p>Amber Issues escalated to NEW Devon CCG and some actions and principles agreed which may mitigate (10.3.17)</p> <p>Amber Formal disputes now being raised and Draft Disputes Protocol in use.</p> <p>Green Further training for staff planned in PPA</p> <p>Completed Discussions underway with CCG to consider future 4 week funding arrangements</p>
<p>TG11: Market Capacity: Adult Social Care (Personal Care) The council fails to meet its statutory market sufficiency requirement for personal care placing individuals at risk in the community or hospital setting</p>	<p><u>Inherent status: 30 Very high</u> <u>Current status : 30 Very high</u> Risk owner: Tim Golby Accountable officer: Ian Hobbs Last review: 15 Feb 2017</p>	<p>Completed New Living Well at Home Contract let jointly with NHS</p> <p>Green Refresh of the Adult Social Care Services Market Position Statement</p> <p>Green Provider Engagement Network</p> <p>Green Performance monitoring</p> <p>Green Work with providers to address capacity shortfall</p> <p>Green Reprourement of personal care via new framework: contracts to be awarded in march, transition to new arrangements in June.</p> <p>Green Investigation of new solutions/new way of working</p> <p>Green Weekly SITREPS and escalation</p> <p>Green Provider of last resort option.</p>
<p>TG20: Market capacity adult social care (Residential And Nursing Care) The council fails to meet its statutory market sufficiency requirement for residential and nursing care placing individuals at risk in the community or hospital setting</p>	<p><u>Inherent status: 30 Very high</u> <u>Current status : 30 Very high</u> Risk owner: Tim Golby Accountable officer: Ian Hobbs Last review: 15 Feb 2017</p>	<p>Green Capital investment programme led by BR Team to increase capacity in areas of highest need</p> <p>Green New care homes contract</p> <p>Green Working with CCGs re intermediate care to ensure fit to contract</p> <p>Green Improving relationship with the market via sector lead to increase market engagement</p> <p>Green Fee uplift proposals</p> <p>Green Workforce development programme being extended to private sector</p>

Risk details	Status and Risk owner	Mitigating controls
<p>TG23: Workforce Lack of Organisational Development Plan for the Authority, which should include succession planning for Leaders and Managers could lead to future skills shortages across key areas of the business, for example, Social Workers and Health Workers. This needs to include contracted services for care where significant workforce recruitment and retention issues exist. Failure to address may result in market failure and statutory non-compliance with Care Act duties.</p>	<p><u>Inherent status: 30 Very high</u> <u>Current status : 30 Very high</u> Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 11 Jan 2017</p>	<p><u>Completed</u> Test of Assurance <u>Completed</u> Succession Planning <u>Completed</u> Grading review: Adult Social Workers <u>Green</u> Workforce Development, including potential impact of devolution ask</p>
<p>KS9: Budget pressures and management Demand for Adult Social Care exceeds financial provision putting the Council at risk</p>	<p><u>Inherent status: 30 Very high</u> <u>Current status : 25 Very high</u> Risk owner: Keri Storey Accountable officer: Keri Storey Last review: 15 Feb 2017</p>	<p><u>Red</u> Adult Social Care Demand Management Programme <u>Red</u> Re commissioning of residential and nursing care <u>Red</u> New approach to managing relationship with DPT <u>Red</u> Rigorous action monitoring of financial recovery plans for each service area <u>Completed</u> Meeting planned with CCGs re Learning Disability financial pressures <u>Completed</u> CHC Dispute protocol signed off with cases being progressed against the protocol</p>
<p>TG28: Budget Overspend Rising demand and cost pressures resulting in potential inability to deliver on demand reduction strategies due to lack of capacity to develop and implement or lesser than projected impact.</p>	<p><u>Inherent status: 25 Very high</u> <u>Current status : 25 Very high</u> Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 24 Oct 2016</p>	<p><u>Green</u> Demand Management Programme <u>Green</u> Re commissioning of residential and nursing care <u>Green</u> New approach to managing relationship with DPT</p>
<p>TG29: Budget Management That a broader corporate overview of timing, impact or scope of service or policy changes gives rise to review or reconsideration of proposals</p>	<p><u>Inherent status: 25 Very high</u> <u>Current status : 25 Very high</u> Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 24 Oct 2016</p>	<p><u>Green</u> Thoroughness on consultation on proposals <u>Green</u> Thorough impact and risk assessment of plans and policy change</p>

Risk details	Status and Risk owner	Mitigating controls
<p>TG31: NHS Regonfiguration NHS changes in Devon impact adversely on social care activity and do not meet whole system needs of Devon's residents</p>	<p>Inherent status: 25 Very high Current status : 25 Very high Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 15 Feb 2017</p>	<p>Green Joint Commissioning Green STP engagement Green RD&E Business Case Green Early intervention with health partners Green Wider Council commissioning 'ask'</p>
<p>FIN41: BREXIT Potential changes in laws, regulations, government policy or funding arising from the UK leaving the European Union which may impact on Council objectives, financial resilience and affected staff.</p>	<p>Inherent status: 24 Very high Current status : 24 Very high Risk owner: Nicola Allen Accountable officer: Mary Davis Last review: 28 Feb 2017</p>	<p>Amber Monitor post-referendum environment Amber Monitor Official publications Red Engage with LGA Amber Human Resources support</p>
<p>HTM1: Failure to maintain C class and unclassified roads effectively. Deterioration of highway network due to insufficient planned and routine maintenance.</p>	<p>Inherent status: 25 Very high Current status : 24 Very high Risk owner: Joe Deasy Accountable officer: David Whitton Last review: 02 Feb 2017</p>	<p>Green Value for Money solutions Green Highway Monitoring Green Safety repairs Green Communication with stakeholders</p>
<p>HTM2: Lack of capacity or capability to respond effectively to highway safety related issues Potential for fatal and severe accidents to citizens due to lack of effective and timely repair or replacement of highway assets. This could be brought about by deteriorating highway condition, inability to meet policy level of service, inadequate procedures or poor staff/contract performance.</p>	<p>Inherent status: 24 Very high Current status : 20 High Risk owner: Joe Deasy Accountable officer: David Whitton Last review: 12 Dec 2016</p>	<p>Amber Highway Monitoring Amber Safety repairs Green Programme flexibility</p>
<p>HTM3: Lack of capacity or capability to effectively respond to extreme weather events Flooding and structural damage to the highway affecting citizens and property</p>	<p>Inherent status: 24 Very high Current status : 20 High Risk owner: Joe Deasy Accountable officer: David Whitton Last review: 12 Dec 2016</p>	<p>Green Highway Monitoring Green Winter Service and Emergency Plan Green Delivery of Planned works Green Preparedness Green Asset Management</p>

Risk details	Status and Risk owner	Mitigating controls
<p>KS14: Deprivation of Liberties (DoLS) and Court of Protection (CoP) The Council fails to meet its statutory obligations with regard to Deprivation of Liberty Safeguards (DoLS) and individuals are put at unacceptable risk</p>	<p>Inherent status: 25 Very high Current status : 20 High Risk owner: Sarah MacKereth Accountable officer: Jennie Stephens Last review: 15 Feb 2017</p>	<p>Green Green Green Green</p> <p>Prioritised plan in place in adult services to address both res/nursing/hospital and community deprivations CLT endorsed approach and additional posts Ongoing review of performance at SLT and scrutiny ctte on request Law Commission review due to report by end 2016. Realistically DCC is unlikely to authorise any significant proportion of the outstanding res/nursing or community deprivations prior to legislation/policy change</p>
<p>KS20: Care management capacity and effectiveness The Council fails to meet its statutory obligations for the timeliness of assessment for adults</p>	<p>Inherent status: 25 Very high Current status : 20 High Risk owner: Keri Storey Accountable officer: Jennie Stephens Last review: 23 Feb 2017</p>	<p>Amber Amber Green Amber</p> <p>Demand management work Productivity work alongside demand management work Additional capacity in extended hours Supported Living Project</p>
<p>TG27: Mental Health Services redesign with Devon Partnership Trust The delivery model for social care in health (via Devon Partnership Trust) is not meeting the needs of Devon residents</p>	<p>Inherent status: 25 Very high Current status : 20 High Risk owner: Sarah Aggett Accountable officer: Tim Golby Last review: 15 Feb 2017</p>	<p>Green Red</p> <p>a) Project in place to review future adult mental health delivery b) Possible recommissioning of service following review</p>
<p>TG30: Short term intervention Adult social care has insufficient 'short term services' promoting independence that do not meet residents needs and lead to high long term care costs</p>	<p>Inherent status: 25 Very high Current status : 20 High Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 15 Feb 2017</p>	<p>Green Green Green</p> <p>Demand management work on short term services offer Front door modelling North Devon: initial service model in conjunction with partners</p>
<p>Animal Health Disease Control Additional costs and manpower requirements to respond to exotic animal disease spreading in the Devon and Somerset Communities</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Dolores Riordan Accountable officer: Paul Thomas Last review: 15 Sep 2016</p>	<p>Green</p> <p>Contingency Plans & trained staff available via an emergency cascade system.</p>

Risk details	Status and Risk owner	Mitigating controls
<p>ICT05 - Shadow IT in Devon County Council There have historically always been “Shadow IT” departments in Devon County Council, for example, in Highways, HR and Finance where specialist departments deal with their own IT, referring to Corporate IT when required. However, increasingly the availability of often “free” and low cost cloud software and apps, means that increased numbers of both individual users and business areas start using their own systems, often without any reference to Corporate IT</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Marisa Smyth Accountable officer: Gary Dempster Last review: 13 Feb 2017</p>	<p>Amber Communication Amber Support of Senior Managers Amber Engagement Amber Evaluation Amber Support Amber Procurement Challenge Amber Proactive horizon scanning Amber Deep Inspections for all HTTP traffic Amber Review of ICT Policies</p>
<p>Inadequate DCC access to diesel / petrol during a fuel crisis DCC holds no bunkered fuel and would therefore be vulnerable during a fuel shortage. Access to mutual aid from LRF partners would be limited as more of them are also disposing of stored fuel. Where aid is available it is likely to be restricted to diesel. A national plan to assist key industries and services is in place but activation is likely to be too late to avoid shortages and disruption to services. It is the provision of social care that is of most concern.</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Keith Reed Accountable officer: Nicola Channon Last review: 25 Jan 2017</p>	<p>Completed Small Tanker/Bowser Solution (no longer a viable option) Green Local LRF Planning Completed National Fuel Plan (Plan under review expected in 2017) Green Mutual aid arrangements with others Green Use of the military Red Delays to the review of the national plan Completed Contact details for Designated Filling Stations Completed Escalated concerns to LRF COG Sept 2015 Amber Highways contractors</p>
<p>Potential legal costs/compensation for court cases or improper seizure or suspension of goods Potential of legal costs/compensation and damage to reputation of Service and Authority due to officers wrongly impounding goods etc.</p>	<p>Inherent status: 16 High Current status : 16 High Risk owner: Steve Gardiner Accountable officer: Paul Thomas Last review: 15 Sep 2016</p>	<p>Green Staff Training</p>

Risk details	Status and Risk owner	Mitigating controls
<p>SPOC15: Failure to prevent discriminatory practice/adhere to the Equality Act & Public Sector Equality Duty Ensuring the Council gives due regard to the need to eliminate discrimination (end prohibited conduct), advance equality and foster good relations as required by the Public Sector Equality Duty (Equality Act 2010).</p>	<p>Inherent status: 20 High Current status : 16 High Risk owner: Jo Hooper Accountable officer: Roland Pyle Last review: 10 Nov 2016</p>	<p>Green (Equality) Impact Assessment Amber Equality Training and Competencies Green Equality Objectives (Fair for all Programme) Green Equality Reference Group Green Equality Framework for Local Government Amber Staff Surveys Green Discriminatory Incident Reporting Green Equality Policy Green Supporting employment policies Green Sufficient allocation of staff with responsibility for equality/impact assessment Green Information (Evidence base) Amber Customer diversity monitoring Green Equality Standards in Procurement Green Hate Crime Prevention Green Communications Toolkit Amber Workforce diversity data Completed Learning from Judicial Review Project - implementing the recommendations Green Impact Assessment Performance Measures</p>
<p>TG22: Adult Mental Health Services Lack of acute psychiatric bed capacity locally and nationally is having a detrimental impact on acutely unwell people accessing hospital care increasing the risk to themselves, carers and public.</p>	<p>Inherent status: 20 High Current status : 16 High Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 24 Oct 2016</p>	<p>Green Commissioning arrangements under development Green Mental Health Crisis Concordaat agreed by peninsula partners</p>
<p>TG26: Assistive Technology 2 Failure to make best use of assistive technology through missed opportunities impacts on people's independence and safety at home leading to additional costs due to the procurement of more costly service solutions presenting a financial risk to the Authority.</p>	<p>Inherent status: 25 Very high Current status : 16 High Risk owner: Tim Golby Accountable officer: Jennie Stephens Last review: 24 Oct 2016</p>	<p>Green CES (prescriptions/stock itesms/non-stock items) Green Contract monitoring arrangements Green CES operational contract meetings Green Catalogue review group Green More concerted effort in promoting Assistive Technology, including Assistive Technology Day Green Living Well at Home contracts</p>

Risk details	Status and Risk owner	Mitigating controls
<p>PH: Reduction in Public Health funding Clawback of Public Health reserve funds this year means that Public Health no longer have funding available to respond to immediate Public Health demands. It also may presage future reductions in the recurring funding which could impact on commissioned services</p>	<p>Inherent status: 15 High Current status : 15 High Risk owner: Mark Kealy Accountable officer: Tracey Polak Last review: 19 Dec 2016</p>	<p>Green Retaining a targeted health check programme for those most at risk Amber New Healthy Lifestyle service and voluntary service directory Green One You Green Change4Life Amber Making every contact count Green Specialist smoking service Amber Working with partners to access new sources of funding</p>
<p>Potential Flu pandemic Risk of a significant influenza outbreak affecting service delivery due to impact on the public and staff. With an increasingly mobile world population the chances of this or a similar disease spreading globally is more likely.</p>	<p>Inherent status: 15 High Current status : 15 High Risk owner: Keith Reed Accountable officer: Nicola Channon Last review: 25 Jan 2017</p>	<p>Completed DCC Flu Pandemic plan Completed ACS Flu Pandemic plan Completed LRF Influenza Pandemic Plan Completed Exercising</p>
<p>TCS1: Public Transport Support Budget Additional Cost/ budget pressure due to: (a) withdrawal of commercial services, requiring DCC to respond to fill gaps in the bus network through additional support for services. (b) Risk of higher tender prices, given a prolonged period of lower tender prices. (c) funding reductions resulting in significant cuts in bus services. Refer to Cabinet report 10 June 2015</p>	<p>Inherent status: 20 High Current status : 15 High Risk owner: Damien Jones Accountable officer: Dave Black Last review: 20 Dec 2016</p>	<p>Amber Operational, policy and administrative efficiencies</p>

Risk details	Status and Risk owner	Mitigating controls
<p>Connecting Devon and Somerset - Secure superfast broadband to at least 95% of Devon and Somerset Premises by December 2019 with as much coverage as possible by the end of 2017</p> <p>The Connecting Devon and Somerset programme has been set up to bring superfast broadband to parts of rural Devon and Somerset, where the private sector will fail to deliver. Phase 1 was intended to increase superfast broadband to 90% of premises by the end of 2016 and phase 2 has the ambition of increasing this to 95% with as much as possible completed by the end of 2017. The programme has the overall target of ensuring all premises are connected to superfast broadband by 2020.</p>	<p>Inherent status: 24 Very high</p> <p>Current status : Risk owner: Sofie Francis Accountable officer: Not set Last review: 14 Nov 2016</p>	
<p>JO13: Care Leavers in Education, Employment and Training</p> <p>Failure to join up approach across People leads to continuing high numbers of Care Leavers not in education, employment and training.</p>	<p>Inherent status: 30 Very high</p> <p>Current status : Overdue</p> <p>Risk owner: Vivien Lines Accountable officer: Jennie Stephens Last review: 01 Jul 2016</p>	<p>Green</p> <p>To ensure regular reporting and sharing of data on care leavers with appropriate partners</p> <p>Amber</p> <p>to ensure the offer from Careers South West is sufficiently bespoke to the needs of this group of y</p> <p>Amber</p> <p>to develop use of POPP to support care leavers</p> <p>Amber</p> <p>to work with business to develop the apprentice and internship provision</p>

Risk details	Status and Risk owner	Mitigating controls
<p>JO15: Attainment of Looked After Children Lack of stability of care or school placements has a significant impact on education outcomes. White paper implications:</p> <ul style="list-style-type: none"> • In a fully Academised system the Local authority's capacity to intervene, and assess impact or influence practice, especially around exclusions is likely to be more limited. • Funding for AP being passed to schools may impact on our ability to provide short term intervention or bespoke packages to meet the needs of pupils with challenging behaviour or emotional/medical needs. • The addition of support for adopted children to the role of the Virtual school could, depending on expectations, have a significant impact on the capacity of the virtual school team 	<p>Inherent status: 30 Very high Current status : Overdue Risk owner: Vivien Lines Accountable officer: Jo Olsson Last review: 01 Jun 2016</p>	<p>Green To join up current activity across Heads of Service and LDP. Green Refocus of LDP Green Data analysis Green virtual school</p>
<p>JO22: Increasing costs and challenges Increasing costs and challenges securing education and care placements for children with additional and complex needs due to a reducing market, stronger regulation and difficulty delivering personalised services for individual children.</p>	<p>Inherent status: 25 Very high Current status : Overdue Risk owner: Fiona Fleming Accountable officer: Fiona Fitzpatrick Last review: 13 May 2016</p>	<p>Completed Placement Strategy Green Peninsular Framework Agreement Amber Single Education Health and Care Plans Amber Greater efficiency re joint agency placements</p>
<p>Reprocure North Devon and Torridge residual waste contract Reprocure North Devon and Torridge residual waste contract</p>	<p>Inherent status: 20 High Current status : Risk owner: Annette Dentith Accountable officer: David Whitton Last review: 06 Feb 2017</p>	<p>Green Robust planning application for North Devon TS submitted Green seek letters of support from District Council Green robust procurement timeline</p>

Risk details	Status and Risk owner	Mitigating controls
<p>SC16: National Funding Formula and implications of the White Paper impact of consultation proposals to remove funding allocation for school improvement from September 2017. Potential time lag between changes in LA roles and responsibilities and reduction is Education Support Grant. Corporate budget implications and potential impact on School Improvement support for maintained schools. The White Paper sets out the Government's intention for universal academisation by 2022 . LA financial resources will be removed earlier than when responsibilities change bringing a number of risks for maintained schools requiring support and the removal of capacity within DCC. Significant costs to DCC to facilitate each academy conversion. Transfer all school sites and other wider education assets to the DfE. Greater discretion for the Regional Schools Commissioner who will determine future arrangements for schools.</p>	<p>Inherent status: 25 Very high Current status : Overdue Risk owner: Sue Clarke Accountable officer: Jennie Stephens Last review: 01 Jun 2016</p>	<p>Amber Awareness raised at CLT Amber Full council debate on white paper</p>
<p>SC17: The introduction of a joint Ofsted/CQC framework of services to support cyp with SEND From May 2016 introduces new legislation across local authority and partner services, with work required to ensure that services are at least 'good' as defined by standards within the inspection framework and that the authority is ready to facilitate an inspection.</p>	<p>Inherent status: 25 Very high Current status : Overdue Risk owner: Fiona Fleming Accountable officer: Sue Clarke Last review: 21 May 2016</p>	<p>Red Service audits</p>

Risk details	Status and Risk owner	Mitigating controls
<p>SC1: School Transport Rising overspend on home to school transport is having a deleterious effects on Education and Learning Core budgets and initiatives which are currently absorbing the substantial overspend. Action to address overspend has had limited short term impact against rising costs due to increased expectations and the complexity of individual transport requested.</p>	<p>Inherent status: 30 Very high Current status : Overdue Risk owner: Damien Jones Accountable officer: Dawn Stabb Last review: 09 Aug 2016</p>	<p>Amber Management actions within TCS including route analysis and efficiency savings Green TCS monitoring and regular review across all areas of spend Green Policy regularly reviewed and adjusted to reduce areas of discretionary spend Green Actions identified through corporate transport project board</p>

